

# SUSTAINABILITY

-17%

**absolute water withdrawal  
at LANXESS water risk sites**

25.2%

**woman in management**

-69%

**CO<sub>2</sub> emissions**

# Commitment to Sustainable Transformation

*Even in challenging times, our commitment to sustainability does not change. We see it as a long-term transformation that we drive forward according to a clear roadmap – even in phases of geopolitical instability. Progress in the field of sustainability makes our company more resilient and promotes our future viability, so that we can successfully master challenges and crises.*

Our mission is the transformation to circular, climate-neutral value creation – which must also be fair and safe. Thinking and acting sustainably and in an integrated manner supports our business goals in a variety of different ways – from higher resource efficiency to good relationships with our stakeholders, increased risk awareness, and permanently advantageous cost structures. The quality of our company is also demonstrated by the social impact of our entrepreneurial activities. Our facilities, locations, and products must have a measurable, sustainable benefit for the community.

Internationally recognized standards and frameworks give us valuable guidance in this transformation process:

- › With 2030 Agenda for Sustainable Development, the United Nations has established the basis for global economic progress in harmony with social justice and within the Earth's ecological limits. The specific goals of the Agenda are set out in the Sustainable Development Goals (SDGs).
- › The U.N. Global Compact is the world's biggest and most important initiative for responsible corporate governance. Based on ten universal principles, it pursues the vision of an inclusive and sustainable global economy for the benefit of all people, communities, and markets. As a signatory, we recognize these principles as inalienable rights.
- › The term “Responsible Care®” stands for the chemical industry's goal of achieving progress with safety and environmental protection, regardless of the legal specifications. We have documented our commitment to the visions and ethical concerns of this initiative from the International Council of Chemical Associations (ICCA) by signing the Responsible Care® Global Charter.
- › Among the internationally recognized principles of business activity to which we are committed are the employment standards of the International Labour Organization, an agency of the United Nations. These are aimed at upholding globally recognized social standards and thereby improving working and living conditions for all people.

**The Ten Principles of the U.N. Global Compact**



**Human rights**

Businesses should ...

- 1 ... support and respect the protection of internationally proclaimed human rights.
- 2 ... make sure they are not complicit in human rights abuses.



**Labor**

Businesses should ...

- 3 ... uphold the freedom of association and the effective recognition of the right to collective bargaining.
- 4 ... uphold the elimination of all forms of forced and compulsory labor.
- 5 ... uphold the effective abolition of child labor.
- 6 ... uphold the elimination of discrimination in respect of employment and occupation.



**Environment**

Businesses should ...

- 7 ... support a precautionary approach to environmental challenges.
- 8 ... undertake initiatives to promote greater environmental responsibility.
- 9 ... encourage the development and diffusion of environmentally friendly technologies.



**Anti-corruption**

Businesses should ...

- 10 ... work against corruption in all its forms, including extortion and bribery.

**The 17 Sustainable Development Goals**



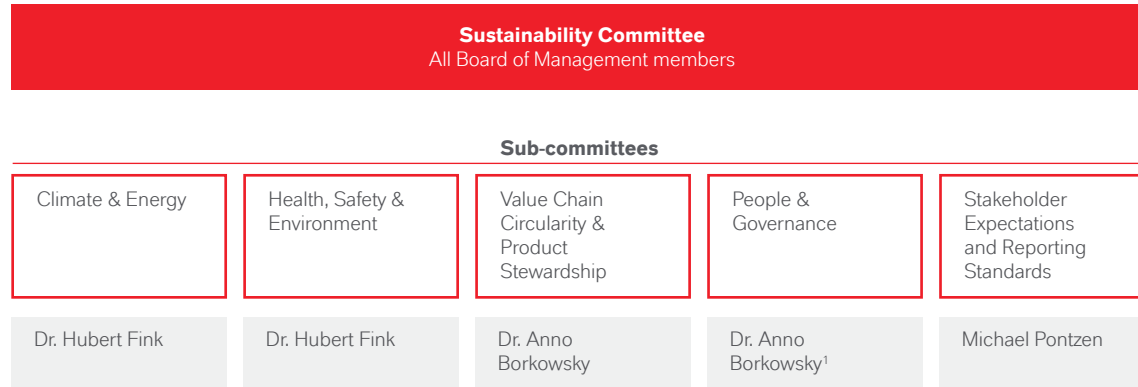
As “Agenda 2030,” the Sustainable Development Goals in particular provide important guidance. We must understand precisely how our priorities – formulated in the material topics – relate to the priorities of the international community. The analysis of our impact on the SDGs has shown that we are creating societal value and have a positive impact on many SDGs. At the same time, however, the challenges are also made clear – for example in the fields of climate protection and occupational safety.

[Further information on our contributions and the effects of our business activity in relation to the SDGs](#)

Audited disclosures of the LANXESS Group that are included in the 2022 non-financial Group report

## SUSTAINABILITY MANAGEMENT LOCATED AT BOARD OF MANAGEMENT LEVEL

### Sustainability-Related Committees and Board of Management Responsibilities



<sup>1</sup>) Until the end of March  
Dr. Stephanie Coßmann

In order to more consistently pursue our sustainability targets, we established a new committee structure at the beginning of 2021. The top decision-making body is the **Sustainability Committee**, which manages all key issues relating to sustainability. Its members include all members of the Board of Management. Five sub-committees report to the Sustainability Committee, which deal with various focal points of our sustainability strategy and are each headed by a Board of Management member:

- › “Climate & Energy” sub-committee – implementation of the LANXESS “Climate neutral 2040” climate program
- › “Health, Safety & Environment” sub-committee – development of safe production sites

- › “Value Chain Circularity & Product Stewardship” sub-committee – promotion of sustainable products and value chains
- › “People & Governance” sub-committee – coordination of issues of LANXESS’s corporate and social responsibility
- › “Stakeholder Expectations and Reporting Standards” sub-committee – fulfillment of external reporting standards and stakeholder management

The “Value Chain Circularity & Product Stewardship” sub-committee and the “Sustainability Committee” adopted two new sustainability topics in the reporting year:

1. LANXESS wants to make its entire supply chain climate-neutral. The indirect emissions in the upstream and downstream supply chain (Scope 3) are to be eliminated by 2050.

The LANXESS climate targets are in line with the Paris Climate Agreement. The Science Based Targets initiative (SBTi), a joint initiative of the climate change mitigation organization CDP, the U.N. Global Compact, the World Resources Institute and the World Wide Fund for Nature, validated our climate targets for Scope 1 and 2 and confirmed that LANXESS is helping to limit global warming to a maximum of 1.5 degrees Celsius. To measure climate-relevant emissions, we collect data on emissions of greenhouse gases defined in the Kyoto Protocol and calculate their greenhouse effect in comparison to carbon dioxide.

2. Furthermore, we have set ourselves the target of carrying only climate-neutral products in our portfolio and quantifying the carbon footprint of all our products by 2050 (see targets table).

Other key aspects of sustainable action in our view are compliance with and the continual development of our values, rules and standards as well as forward-looking risk management.

[Further information on corporate governance at LANXESS](#)

[Further information on risk management at LANXESS](#)

We also guarantee responsible business activity with our integrated management system, on which we report in detail in the “Safe and Sustainable Sites” section.

## DIALOG FOR THE FUTURE

The successful transformation of our industry along the entire value chain is possible only in continuous exchange and close cooperation with our stakeholders. Relevant stakeholders for LANXESS are groups, institutions, and individuals with whom we maintain a direct or indirect relationship through our business activities and who therefore have an interest in our actions. Our main stakeholder groups are customers, capital market representatives, suppliers, the media, and representatives from politics, public authorities, and non-government organizations (NGOs).

We are in intensive exchange and contribute actively to dialog and cooperation formats, especially with regard to the major transformation issues climate protection and circular economy. For example, LANXESS is one of only a few companies from the chemicals industry that is a founding member of the BDI Circular Economy initiative, a platform for dialog between business, politics, science and society in order to jointly develop tools to promote the market for recycled raw materials and unlock potential for waste prevention. Meanwhile, the collaborative project “Circular economy as a driver of innovation for a climate-neutral and resource efficient economy” (CEWI), which is funded by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, is focusing on the building and automotive sectors. The World Business Council for Sustainable Development (WBCSD), which we joined at the beginning of 2020,

is another important dialog forum for LANXESS. The WBCSD is a global, CEO-led organization committed to accelerating the pace of change toward a more sustainable world. As part of our membership, we are among the founding members of the Circular Cars Initiative (CCI) and the Circular Electronics Partnership (CEP). The CCI is a partnership between stakeholders from the automobility ecosystem (e.g. industry, policymakers and fleet purchasers) to eliminate or minimize total lifecycle emissions. The CEP is the first private-sector alliance for circular electronics. In the context of national and international regulatory requirements such as those of the German Act on Corporate Due Diligence in Supply Chains, we also organized a stakeholder roundtable on the topic of “Sustainable Delivery – the Supply Chain of the Future” in 2022. With representatives of politics, science, business and environmental organizations, we discussed how LANXESS follows the legal requirements. There was also valuable input on selected sustainability topics and on the compatibility of ecology and business.

Globally, we are now also involved in the International Sustainability and Carbon Certification (ISCC) initiative. This multi-stakeholder initiative is governed by an association with more than 175 members. We will support the further development of the ISCC standards on the road to a sustainable, climate-neutral and circular economy.

[Further information on the topics and dialog forums for each relevant stakeholder group](#)



## SYSTEMATIC PRIORITIZATION OF SUSTAINABILITY TOPICS

Everything LANXESS does must have due regard for our strategic guidelines, the relevant interests of our stakeholders, and the material effects of our actions on our company and society. A materiality analysis in line with the requirements of the Global Reporting Initiative (GRI) helps us to systematically prioritize the wide range of action areas and use resources as effectively as possible. It is based on four principles: sustainability context, materiality, completeness, and inclusion of stakeholders.

In 2021, we responded to the ongoing, dynamic transformation with an extensive materiality analysis. As a result, we condensed the number of our sustainability topics from seven to five, sharpening the focus on important new topics such as the circular economy. The five main topics were confirmed by the Sustainability Committee following a review in the reporting year and, after close examination, provided our relevant management framework again in 2022. They also influence the structure of our external reporting on the topic of corporate responsibility. Our review of the material topics in the reporting year also considers the double materiality perspective. This shows how our activities impact different sustainability aspects (“inside-out perspective”) and how sustainability topics, such as climate change, influence LANXESS (“outside-in perspective”).



Material Topics

**Circular and Sustainable Sourcing**

Our increasingly circular value chains start from a diverse, sustainable raw material portfolio. We engage with our suppliers and relevant stakeholders to improve the working and environmental conditions in the global supply chains.

**Safe and Sustainable Sites**

LANXESS manufactures sustainable products at competitive and sustainable chemical sites. Continuous process improvements and investments are fundamental for our success. We care about the communities of which our sites are a part.

**Climate Action and Energy Efficiency**

For us, climate action based on efficient energy use is the right thing to do for society and also a key to delivering financial performance in the long term. In 2040, LANXESS is to be a climate-neutral company.

**Good Governance and Energized Employees**

We aim to be an attractive employer and to develop peoples' full potential throughout their professional life. To this end, we create a motivating working environment for all employees, striving for high engagement and impact. We nurture and promote a value-based, performance-orientated culture.

**Sustainable Products**

We systematically evaluate the sustainability of our portfolio and consider sustainability criteria in the development of products and applications. We have long-term relationships with our customers, drive innovation together and help them to make their business sustainable.

In addition to our materiality analysis, we came up with a definition of materiality for the non-financial Group report – the contents of which are integrated into this section of the Annual Report and distinctly identified – in accordance with Section 289c, Paragraph 3, Sentence 1 of the German Commercial Code (HGB). The non-financial report contains disclosures that are necessary in order to understand the business performance, the business results, the position of the Group, and the effects of our activities on non-financial aspects. For us, this means environmental issues, employee and social issues, human rights, and anti-corruption, as shown in the [“About this Report” section on page 254.](#)



As part of our management of opportunities and risks, we have implemented a wide range of risk-mitigating measures. With regard to the aspects defined as relevant for the non-financial Group report, a net risk analysis shows no material risks in connection with our own business activities or with business relationships, products, and services that are very likely to have serious negative effects.

[Further information on the opportunity and risk management system](#)



We have formulated specific goals for all key topics. Some of the variable compensation of the first and second management level below the Board of Management therefore depends on the extent to which certain targets for CO<sub>2</sub>e emissions in Scope 1 and Scope 2 and for the lost time injury frequency rate (LTIFR) are achieved. The Sustainability Committee systematically examined the existing goals and indicators, fleshed these out where necessary, and also defined new goals in the reporting year. In connection with the Scope 3 target, for example, these include the Net Zero Value Chain initiative, the elimination of indirect emissions in the upstream and downstream value chain by 2050, and innovations and adjustments with regard to diversity.

## LANXESS Sustainability Goals


Topic	Goal	Indicator	Deadline	Status quo 2022	SDG	Page
<b>Circular and Sustainable Sourcing</b>					1, 8	
Establishment of a systematic sustainability risk analysis to evaluate all suppliers	Status inquiry to identify relevant suppliers with high risk level	Share of suppliers evaluated	2023	The risk analysis is in operation, and all suppliers from North America and Germany have been integrated into the system. It has been successfully linked with external sources for risk assessment. The connection of suppliers from elsewhere in Europe and the rest of the world is scheduled for early 2023. The global launch of the necessary system was planned for 2021 and has been delayed.		<a href="#">20–22</a>
Identification and reduction of sustainability risks in the supply chain	Differentiation of risk score by goods group/country (levels 1(6))	Sustainability risk score	2023	The risk tool is available and enables a risk overview via the supplier databases in North America and Germany. Following a bottom-up approach, GPL developed a manual calculation method with TFS guiding principles in order to analyze suppliers with a low sustainability score or none at all. Here, too, the global rollout has been delayed from 2021 to early 2023 for system-related reasons.		<a href="#">20–22</a>
Circular raw materials	Development of a process to track, monitor and continuously improve the proportion of renewable raw materials in our products	Development of a process	2022	A process and a calculation tool have been developed to track, monitor and report on the proportion of bio-based, circular, renewable and recycled raw materials.		<a href="#">21–22</a>
<b>Safe and Sustainable Sites</b>					3, 4, 6, 8, 9, 12, 13	
Uniform standards and processes worldwide	Integration of all sites into the global matrix certificate (ISO 9001 and ISO 14001)	Degree of coverage in relation to sites	Ongoing	As of December 31, 2022, our matrix certificate covered 41 certifiable companies with 74 sites in 22 countries. In relation to the number of employees, this equates to 86% coverage of our matrix certificate (not including the newly acquired sites in 2021 and 2022: over 90%). Due to the changes in our site portfolio in recent years, we still have some site certificates and a region certificate, which will also be transferred to our matrix certificate. As of the reporting date, a total of 97% (not including sites acquired in 2022: over 98%) of our sites had ISO 14001 certification.		<a href="#">23–25</a>
Global process safety	Continuous reduction in incidents relating to facility and process safety	Number of reportable incidents relating to facility and process safety	Ongoing	There are eight relevant incidents, of which five classified as reportable.		<a href="#">23</a>
	Continuous reduction in environmental incidents	Number of reportable environmental incidents	Ongoing	There were no relevant environmental incidents.		<a href="#">23</a>
	Continuous reduction in transportation incidents	Number of reportable transportation	Ongoing	There were no relevant transportation incidents.		<a href="#">25–26</a>

## LANXESS Sustainability Goals


Topic	Goal	Indicator	Deadline	Status quo 2022	SDG	Page
Water consumption	Reduction of specific water consumption by 2% per year	Water consumption in cubic meters per thousand euros of sales	Ongoing	For continuing operations, the specific water consumption amounted to 1.36 cubic meters/thousand euros (-19% year-on-year). Including the HPM business unit, the specific water consumption amounted to 1.24 cubic meters/thousand euros (-26% year-on-year).		<a href="#">26–27</a>
Wastewater	Reduction of total organic carbon (TOC) by 2% per year	Kilograms per thousand euros of sales	Ongoing	For continuing operations, the specific TOC amounted to 0.12 kilograms/thousand euros (-29% year-on-year). Including the HPM business unit, the specific TOC amounted to 0.10 kilograms/thousand euros (-40% year-on-year).		<a href="#">27–28</a>
Water risk sites	Introduction of a water stewardship program	Percentage of sites that have introduced a water stewardship program	2023	The implementation of the developed standard began in 2021 and continued in 2022.		<a href="#">26–27</a>
	Reduction of absolute water withdrawal by 15% compared with base year 2019	Absolute water withdrawal in cubic meters	2023	For continuing operations, absolute water withdrawal at water risk sites has already been reduced by 17.3% compared with the base year 2019. Including the HPM business unit, absolute water withdrawal at risk sites has been reduced by 16.8% compared with the base year 2019.		<a href="#">26–27</a>
<b>Climate Action and Energy Efficiency</b>					3, 7, 8, 12, 13	
Emissions	Reduction of CO <sub>2</sub> e emissions by 65% versus 2004 (establishment of LANXESS; 6.5 million metric tons of CO <sub>2</sub> e)	Absolute CO <sub>2</sub> e emissions (Scope 1 and 2) (market-based method)	End of 2025	In continuing operations, absolute CO <sub>2</sub> e emissions amounted to 1,994 thousand metric tons. Including the HPM business unit, the figure was 2,466 thousand metric tons of CO <sub>2</sub> e. This constitutes a reduction of 69% for continuing operations and 62% including the HPM business unit versus 2004, when the company was founded.		<a href="#">32–35</a>
	Reduction of emissions of non-methane volatile organic compounds (NMVOC) by 25% compared to base year 2015	Absolute NMVOC emissions	End of 2025	For continuing operations, this constitutes a reduction of 89% compared with the base year. Including the HPM business unit, the reduction compared with the base year was 86%.		<a href="#">32–35</a>
	Reduction of CO <sub>2</sub> e emissions by 80% versus 2004 (establishment of LANXESS; 6.5 million metric tons of CO <sub>2</sub> e)	Absolute CO <sub>2</sub> e emissions (Scope 1 and 2) (market-based method)	End of 2030	–		<a href="#">32–35</a>
	Climate neutrality for the entire Group	Absolute CO <sub>2</sub> e emissions (Scope 1 and 2) (market-based method)	End of 2040	–		<a href="#">32–35</a>



## LANXESS Sustainability Goals

Topic	Goal	Indicator	Deadline	Status quo 2022	SDG	Page
 <b>Good Governance and Energized Employees</b>					3, 4, 5, 8	
HR retention	High employee retention: Voluntary turnover rate below 3.5%	Turnover rate on the basis of resignations	Ongoing until the end of 2023	The turnover rate on the basis of resignations was 4.5% in continuing operations. Including the HPM business unit, it was 4.4% (previous year: 3.4%).		<a href="#">49–51</a>
HR development	At least 80% of apprentices hired after completing their training	Proportion of apprentices hired in Germany	Ongoing until the end of 2023	85% (previous year: 83%) of apprentices were hired.		<a href="#">45</a>
Employee welfare/ work-life balance	95% of countries in which we operate have derived and implemented specific guidelines and/or corresponding models for flexible working conditions from our global "Xwork" principles	Proportion of countries that have derived and implemented specific guidelines and/or corresponding models for flexible working conditions from our global "Xwork" principles	End of 2022	At the end of 2022, the proportion was 96% (previous year: 89%).		<a href="#">48–49</a>
Diversity and inclusion	At least one female Board of Management member	Proportion of women on the Board of Management	Mid-2022	The proportion of women on June 30, 2022, was 0% (previous year: 20%). However, Frederique van Baarle is to become Labor Relations Director no later than April 1, 2023, so there will be a female Board of Management member again.		<a href="#">42–43</a>
	Increase the proportion of women in the first level below the Board of Management to 15%	Proportion of women in the first level below the Board of Management	Mid-2022	The proportion of women on June 30, 2022, was 22.0%.		<a href="#">42–43</a>
	Increase the proportion of women in the first level below the Board of Management to 25%	Proportion of women in the first level below the Board of Management	Mid-2027	In continuing operations, the proportion of women on December 31, 2022, was 18.4%. Including the HPM business unit, the figure was 22.5% (previous year: 18.2%).		<a href="#">42–43</a>
	Increase the proportion of women in the second level below the Board of Management to 25%	Proportion of women in the second level below the Board of Management	Mid-2022	The proportion of women on June 30, 2022, was 25.2%.		<a href="#">42–43</a>
	Increase the proportion of women in the second level below the Board of Management to 28%	Proportion of women in the second level below the Board of Management	Mid-2027	In continuing operations, the proportion of women on December 31, 2022, was 25.1%. Including the HPM business unit, the figure was 24.8% (previous year: 25.7%).		<a href="#">42–43</a>
	At least 30% female and 40% non-German participants in LANXESS corporate talent programs	Proportion of female and non-German participants in LANXESS corporate talent programs	Ongoing until the end of 2022	With a total of 134 (previous year: 102) participants in 2022, the proportions amounted to 28% (previous year: 25%) female and 55% (previous year: 60%) non-German participants. Excluding HPM, there were 127 participants, of which 29% female and 56% non-German participants.		<a href="#">42–43</a>
	Increase proportion of women in management to 30%	Proportion of women in management	End of 2030	In continuing operations, the proportion of women was 25.5%. Including the HPM business unit, the figure was 25.2% (previous year: 24.0%).		<a href="#">42–43</a>
Occupational safety	Continuous decrease in the LTIFR by > 50% (reference LTIFR of 2.0 in 2016)	LTIFR	End of 2025	The LTIFR was 0.5 in continuing operations. Including the HPM business unit, the LTIFR was 0.6.		<a href="#">55</a>

**LANXESS Sustainability Goals**

Topic	Goal	Indicator	Deadline	Status quo 2022	SDG	Page
 <b>Sustainable Products</b>					3, 12, 13	
Active portfolio management from a sustainability perspective	Development of a strategy plan for all end products with more than 0.1% critical substances	Development of a strategy plan	2023	The strategy plan covers 70% of the relevant products.		<a href="#">58–61</a>
	Inspection and, if necessary, optimization of the quality of all registration dossiers that were prepared in accordance with the REACH Regulation under the guidance of LANXESS	Proportion of inspected/updated dossiers	2026	The proportion of inspected/updated dossiers is 31.6%.		<a href="#">57</a>
Long-term, continuous development of products, applications, and processes	Developing innovative products based on the needs and expectations of our customers	Number of product-related projects	Ongoing until 2025	140 projects in the reporting year were aimed at developing new/improving existing products and applications.		<a href="#">61–62</a>
	Continuous further development of our production processes in order to maintain competitiveness and achieve our climate and energy efficiency targets	Number of process-related projects	Ongoing until 2025	83 projects in the reporting year concerned process technology issues with a view to reducing costs, improving efficiency or increasing capacity.		<a href="#">32–33</a>
Long-term customer relationship	Improvement in customer satisfaction and maintenance of customer loyalty: customer loyalty index > 75	Customer loyalty index score	2022	In the 2022 survey, the customer loyalty index score was 71. The survey is carried out every two years.		<a href="#">62–63</a>



## CIRCULAR AND SUSTAINABLE SOURCING

**15**  
thousand  
suppliers  
Group-wide



At LANXESS, raw materials, other materials, equipment and services are subject to globally standardized requirements with regard to safety and environmental protection. Their procurement is the responsibility of our Global Procurement & Logistics (GPL) Group function, the head of which reports directly to the Board of Management member Dr. Hubert Fink. In close coordination with our business units, this administrative unit organizes Group-wide procurement, establishes corresponding guidelines, and initiates measures to promote purchasing synergies and sustainable behavior by our suppliers.

The ongoing bottlenecks in global supply chains remained a challenge in the reporting year and resulted in rising raw material prices. In addition, substantial fluctuations in electricity and gas prices had an impact on our production costs, especially in Europe. In China, the government-ordered power rationing at several of our sites resulted in interruptions to production.

### Logistics

Costs also continued to increase in 2022 due to the rise in energy and fuel prices in Europe. The sales and marketing teams of our business units incorporated this cost increase into price negotiations with customers. The shortage of truck drivers, especially in Europe, Great Britain and



America, continues to cause delays and put strain on the supply chain. Restrictions in connection with China's zero-COVID policy are likewise making goods transport to and from Asia more difficult.

### Energy

Gas prices and thus prices for the entire energy sector increased in North America, but above all in Europe, particularly due to the war in Ukraine. Russia's invasion and the subsequent sanctions imposed by the West, which also affected coal and oil, caused gas prices to rise to more than ten times the average prices of the last decade and also led to an explosion in electricity prices in all European countries. Since the French nuclear power plants cannot supply much energy, the European markets remain very strained, and the huge volatility of the very high prices persists. The Asian energy markets, which are chiefly served by coal and liquefied natural gas (LNG), are being subsidized locally and are also benefiting from cheaper Russian coal and oil deliveries, which gives them advantages in terms of pricing and ability to supply. Since this macroeconomic development affected all market participants, we were unable to pass on the cost increase to our customers.

In 2022, procurement transactions with over 15,000 suppliers were processed. A global procurement guideline for the entire Group defines our employees' conduct when dealing with suppliers and their employees. We



have specified standardized workflows in the context of procurement in more detail in a process description.

In accordance with the principles of the United Nations Global Compact, the International Labour Organization (ILO), Responsible Care® and other CSR codes, we expect our suppliers to comply with national and other applicable laws and regulations for environmental protection, health and safety at work and with regard to labor and recruitment practices. Acceptance of the requirements of our Business Partner Code of Conduct is an essential prerequisite for all suppliers wishing to work with us.

In the interests of safe processing at our production facilities, there is a particular focus on the procurement of raw materials. For this reason, suppliers must submit up-to-date information to ensure that the raw materials comply with all relevant legislation for chemicals. In the case of raw material deliveries from non-European suppliers, our purchasing department, together with the Production, Technology, Safety & Environment (PTSE) Group function, clarifies which obligations have to be fulfilled under the REACH Regulation.



Our organic raw materials are currently still based primarily on fossil sources. We are striving to increase the proportion of sustainable raw materials. The market for sustainable raw materials is undergoing long-term development. To make progress, we are already working with multiple major partners and testing the materials and products that they are researching or have already brought to market. A realistic scenario is that we will increasingly bring individual products based on sustainable raw materials to market before this is possible for the entire product range. However, the use of bio-based organic raw materials also entails challenges and potential conflicts. For example, the production of food must always take priority over the use of biomass to manufacture chemical products. Therefore, we proceed with caution when purchasing bio-based raw materials and ensure that the biomass we use is produced in a renewable manner and is not competing with food production.

Our inorganic raw materials are primarily obtained from the biological cycle, e.g. nitrogen from the air or sodium chloride from seawater. These raw materials are renewable in principle, but not necessarily sustainable, as their extraction requires high energy usage in the form of electricity. In order to reduce their carbon footprint, more renewable energies will have to be used for their extraction. Here, too, we are engaged in strategic partnerships with our suppliers in order to achieve this. [Further information can be found under "Sustainable Products."](#)



We strive to promote sustainability, increase transparency throughout our supply chain, and thereby further minimize procurement risks. This is why LANXESS is a founding member of the ["Together for Sustainability" \(TfS\)](#) initiative. TfS has established itself in the chemicals industry as the clear standard for a sustainable supply chain. The focus here is on environmental protection, workers' rights and human rights including the prevention of child labor, labor standards, occupational safety, business ethics and sustainable procurement practices.

Because the assessment results and audit reports are shared within the initiative, we had more than 13,000 sustainability assessments and around 790 audit reports available to us as of the end of 2022. Suppliers whose sustainability-related activities have been assessed in TfS audits or assessments represent 72% of our relevant procurement volume. The relevant procurement volume comprises all suppliers from which we procure more than €20,000 of goods or services per year. The TfS sustainability assessment is also incorporated into our strategy process, which must be applied to every contract negotiation or renewal with a purchasing volume of more than €5 million. In addition to the XCORE strategy process, we established the SCORE process in our purchasing departments worldwide. This process is similar to the XCORE process, but is geared toward purchasing volumes between €1 million and €5 million or over €250,000 in regions outside Europe.



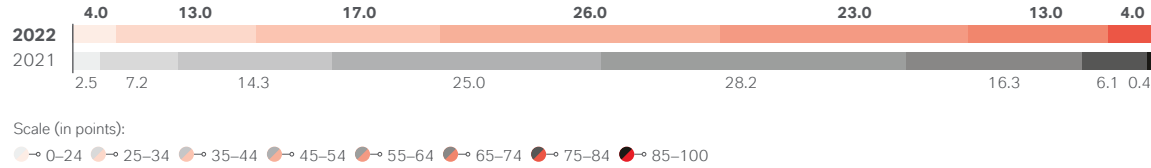
It is also encouraging to see that our suppliers' average EcoVadis sustainability assessment of 50.1 points is above the EcoVadis benchmark of 44.7 points. With regard to our suppliers' weak points, no trend could be discerned in 2022 again. We had no reason in the year under review to end our collaboration with suppliers due to sustainability aspects.

With regard to the migration of a database-supported risk analysis system into our SAP system, we successfully completed the test phase in the reporting year. The global rollout is now taking place in parallel with a general update of the SAP system. In North America, this was already completed in 2021; Germany followed in the second quarter of 2022. The risk analysis system allows us to retrieve supplier-related data from around 300,000 sources and in various qualitative dimensions – such as regulatory, environmental, social or financial – in real time.

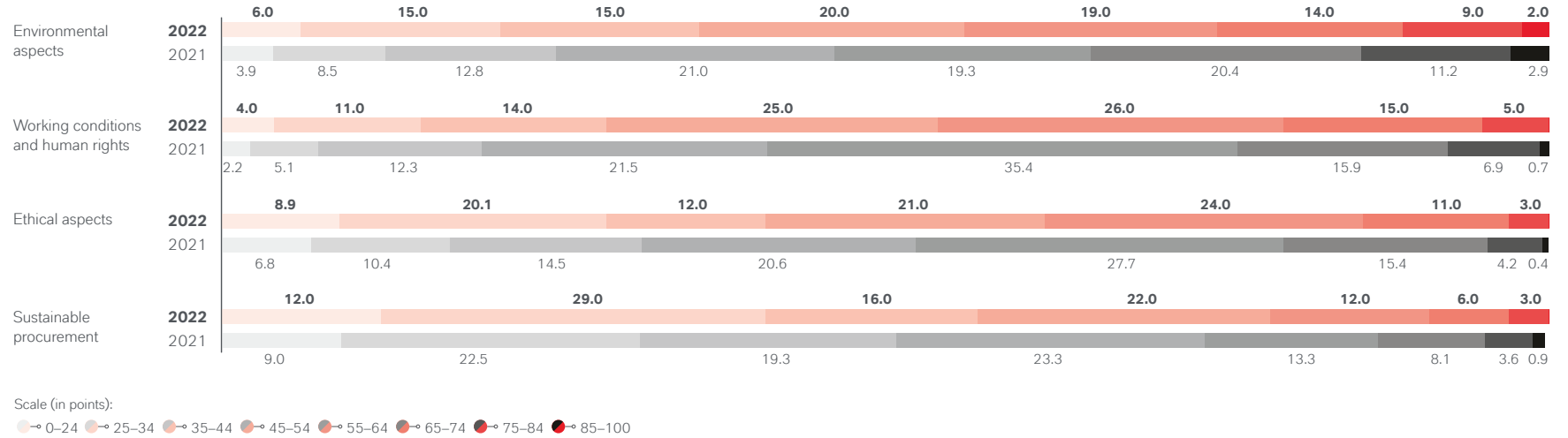
TotalEnergies is supplying the specialty chemicals company LANXESS with biocircular styrene. Unlike conventional styrene, the raw material used by TotalEnergies is based on tall oil, which is derived from a tree resin and is a by-product of pulp production. LANXESS uses the styrene to produce sustainable ion exchange resins. These products are used for water treatment and for the partial softening of drinking water in water filters.



### Overall Scores of Our Suppliers at EcoVadis



### Detailed Scores of Our Suppliers at EcoVadis



The sustainable origin of the styrene is certified in accordance with the mass balance approach of the ISCC PLUS standard (“International Sustainability and Carbon Certification”). This is an important requirement, as LANXESS offers its products in accordance with this certification standard as well and therefore relies on the same transparency for its raw materials.



In addition to styrene, the specialty chemicals company already sources many other sustainable equivalents of fossil raw materials. Biocircular acrylonitrile is used for another type of ion exchange resin. The preservative Preventol is also available with various fatty acid mixtures based on sunflower oil. The intermediate Trimethylolpropane Scopeblue is available in a version about half



of which comprises sustainable n-butylaldehyde. The composite Tepex Scopeblue is based on flax and polylactic acid. And the high-performance plastic Durethan Scopeblue uses biocircular cyclohexane and waste glass.



## SAFE AND SUSTAINABLE SITES



Our commitment is to make our production safe and sustainable in every respect, thus ensuring our long-term competitiveness. Our Production, Technology, Safety & Environment (PTSE) Group function, the head of which reports directly to the Board of Management member Dr. Hubert Fink, is responsible for this. PTSE develops and maintains company-wide standards that ensure responsible use of chemicals at LANXESS. They define requirements and govern responsibilities for health protection, environmental protection, handling of chemicals, plant safety and safety precautions in the workplace. Continuous training of our employees and regular audit-based reviews of our health, safety and environmental management systems are aimed to ensure that the requirements are incorporated into our processes systematically and sustainably.

### Uniform standards in production

LANXESS operates a total of 57 production sites and has a presence in 18 countries (investments  $\geq$  50%, as of December 31, 2022). Our wide range of products requires the use of many different chemical and technical processes. Uniform standards for planning, building and operating plants ensure a high level of process, plant and occupational safety.



Handling chemical substances and working with technical equipment involves health and safety risks. We identify these risks and potential threats systematically worldwide – for new and existing plants – and minimize them by implementing defined preventive and protective measures. Experts examine implementation of LANXESS guidelines and local regulations for safe operation of our plants on-site via targeted spot checks in audits whose frequency is geared toward the respective risk profile. Compliance with safety standards must be regularly verified worldwide for every plant via audit opinions. In 2022, a total of 35 production facilities (previous year: 35) were examined in the context of HSE compliance checks (health, safety and environment), including 15 (previous year: 16) in Germany. Eight HSE compliance checks planned outside Germany and three planned in Germany were postponed to 2023, partly as a result of the coronavirus pandemic in China. In 2022, we conducted HSE gap analyses at six sites acquired in connection with migrations.

We use an electronic reporting system to record accidents and events worldwide in line with uniform regulations. On February 16, 2022, the new Intellex Incident Management System replaced its predecessor IRS (Incident Reporting System). By way of digitalization, the new, more agile and flexible system provides a platform for greater data and process safety and better functionality on mobile devices. Injuries, transportation accidents, near-accidents, environmental incidents, instances of



damage and security-relevant incidents such as theft are documented. Each event is carefully analyzed in order to draw conclusions as to how we can avoid similar incidents in the future. All measures count toward our goal of continuously reducing the number of events. The number of major process safety incidents in the 2022 reporting year was in the single digits.

We are continuing the systematic digitalization of production, including by digitizing our paper-based operational management and maintenance checklists. Tablets are now in use that are directly connected to the central IT systems at LANXESS and enable real-time access to data. The solution includes the end-to-end integration of digital data processing in the work process and ensures that data is archived correctly and automatically. Thanks to the clear, complete data, we can now directly derive necessary measures and implement them immediately. This not only increases work efficiency in production and maintenance, but also avoids duplication of work.

### Integrated management system

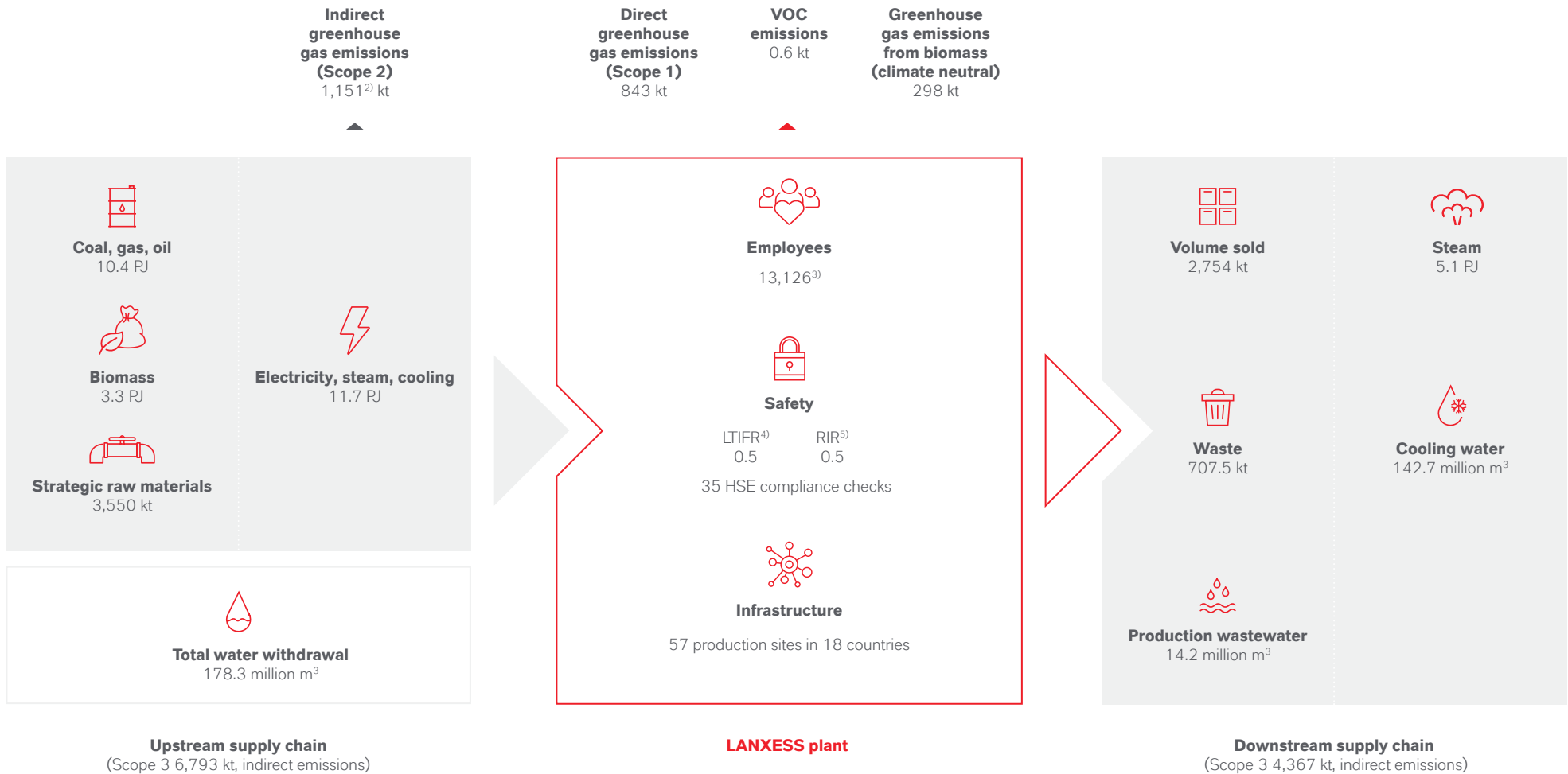
A centrally organized management system at LANXESS provides for the necessary global management structures in all business processes in order to ensure responsible business activities. Globally, we base our actions on the international standards ISO 9001 and ISO 14001 for quality and environmental management and ISO 50001 for energy management.

**35**  
HSE (Health, Safety, Environment) checks at production facilities

**57**  
production sites in 18 countries



Input/Output Analysis<sup>1)</sup>



1) Continued operations

2) Calculated according to the market-based method of the GHG Protocol.

3) Core workforce of the core companies as of December 31, 2022.

4) LTIFR: rate of occupational accidents with an incapacity certificate per planned million hours worked resulting in calendar days lost following the day of the accident (day of the accident does not count), calculated for all employees at all sites (including temporary workers for Germany, NAFTA, China, and India).

5) Number of incidents per 200,000 working hours that have to be reported according to OSHA rules.



**86%**  
matrix certificate  
coverage



Confirmation of compliance with the standards ISO 9001 and ISO 14001 is provided in global matrix certificates. This approach brings a whole range of benefits:

- › a high degree of standardization of processes
- › uniform in-house guidelines and instructions
- › transparent, efficient, and effective processes and controls
- › considerably reduced external expense for the maintenance and optimization of the management system, for the integration of additional management systems (e.g. ISO 50001, sustainability standards), and for the integration of new sites or business units

We ensure that progress in integrating new sites into our management system and its performance are regularly reviewed worldwide by independent external experts. In 2022, we successfully passed the surveillance audit in accordance with the standards ISO 9001:2015 and 14001:2015 and the recertification audit in accordance with ISO 50001:2018. In the reporting year, the production sites in Charleston, U.S., and Baxenden, Great Britain (formerly Chemtura), IMD Natural Solutions, Dortmund, and LANXESS Kimya Ticaret Limited Sirketi, Istanbul, were added to the matrix certificate. Most of the sites taken on with the acquisition of Chemtura were already integrated into the matrix certificates. Nearly all of the other sites have already been certified in accordance with ISO 9001 and ISO 14001. For the time being, they hold these certifications separately. We are planning to gradually integrate these sites into our matrix certificate. The same applies to the sites acquired from Emerald Kalama Chemical,



Theseo and International Flavors & Fragrances Inc. (IFF) and their certificates.

As of December 31, 2022, our matrix certificate covered 41 certifiable companies (companies with staff and in which LANXESS has a stake of over 50%) with a total of 74 sites in 22 countries. In relation to the number of employees, this equates to 86% coverage (not including the newly acquired sites in 2021 and 2022: over 90%).

In addition, we have had LANXESS AG and all major Group companies certified in accordance with ISO 50001 for energy management in Germany and Belgium. The only exceptions are IMD Natural Solutions GmbH and CheMondis GmbH, both of whose energy consumption is below the minimum threshold for the performance of mandatory energy audits in accordance with EDL-G (German Energy Services Act), as well as the newly acquired Theseo Germany GmbH in Wietmarschen. As of December 31, 2022, the energy management system had reached coverage of 99% in these two countries in relation to the number of employees. IAB Ionenaustauscher GmbH has its own certificate. Outside Germany and Belgium, we are continuing to pursue our strategy of regional and local certifications. In Great Britain, our sites are certified in accordance with ESOS (Energy Savings Opportunity Scheme), for example.

In addition, individual LANXESS Group companies and sites have other specific management systems and certifications such as ISCC+, RC14001 (RC = Responsible Care®), ISO 45001, and IATF 16949.



### Global hazardous-goods and transport-safety management system

With a global hazardous-goods and transport-safety management system, we ensure that we minimize or entirely avoid hazards. We coordinate, monitor and review implementation of relevant hazardous-goods and transport-safety regulations as well as in-house regulations centrally in a department that is specifically responsible for this.

Central classification of our products in line with international, regional and local hazardous-goods regulations ensures that applicable laws are interpreted uniformly while taking regional and local aspects into account. Classification determines such things as the type of containment (packaging and tanks), marking and labeling, the permitted modes of transport and transportation routes as well as measures that operational staff must take if a transportation event occurs. The corresponding classification data is stored in the central safety-data system for chemicals at LANXESS. In connection with the introduction of the new enterprise resource planning system, more than 11,000 products and raw materials of LANXESS Deutschland, Saltigo, LANXESS Organometallics and Theseo were migrated to the central system in 2022. The integration of Emerald Kalama Chemical was begun and an interface successfully implemented in order to populate both the old LANXESS system and the new ERP system with logistically relevant data from the central safety-data system. This will prevent duplicate data management and ensure consistent data in the individual systems.





To counter the deficiencies in load securing of general cargo, the PTSE and GPL Group functions have worked closely together to develop a load-securing standard for LANXESS, which has proven successful in numerous field tests and in practice. After the interruption of the pandemic, implementation resumed in 2022 at the site in Bushy Park, U.S.

**Environmental responsibility**

The preservation of natural resources – for example by using raw materials as efficiently as possible – and identification of further potential are ongoing tasks in the context of our environmental responsibility and expertise. We are focused, firstly, on responsible use of water as a resource, which includes both water consumption and water quality. Secondly, we endeavor to fulfill our ecological responsibility with regard to waste. The clear focus is compliance with all legal requirements. In line with circular economy, LANXESS strives to enforce the waste hierarchy – prevention, reuse, disposal – around the world.

**LANXESS Water Program:  
Good progress continues**

As a chemicals company, we rely on water for our production. We use it mainly for cooling (80%), as an input material in chemical processes (18%) or in the form of steam (2%). In addition, rivers are an important transportation tool, particularly for our networked sites in Germany.



LANXESS is aware of water’s ecological and social significance beyond water’s importance as an economic resource. Access to water and sanitary facilities is a human right. Water availability and quality are global challenges that we can and must address locally. We are therefore committed to the responsible use of water. In our own business activities and beyond, we use our products to advance the United Nation’s Sustainable Development Goal 6 (SDG 6): “clean water and sanitation for all.” The products of our Liquid Purification Technologies business unit in particular make a major contribution. For example, the Lewatit® ion exchange resin is used in the processing and reuse of process water and removes unwanted substances.

One of the most important indicators in discussions around water is water stress. Our annual analysis of all LANXESS production sites using the WRI Aqueduct Tool showed that – taking all portfolio changes of the current fiscal year into account – 13 of our production sites are in water-stress areas. These sites accounted for around 2% of our total water withdrawal in 2022. Around 90% of our water withdrawal takes place in areas with low water stress.

In order to further drive our dedication to the protection of water as a resource, we launched our global LANXESS Water Program in 2020. In addition to the global efficiency targets for water consumption and total organic carbon (TOC) in wastewater, the program primarily aims



to make improvements at the LANXESS water risk sites. The sites are assessed using a customized, extensive water risk analysis. For fiscal year 2022, we identified a total of four locations as water risk sites: Jhagadia and Nagda, India; Latina, Italy; and Qingdao, China. The sites have not changed since the program began.

We believe we are on track to achieve our target to reduce absolute water withdrawal at water risk sites by 15% by 2023 (base year: 2019). Compared to 2019, the four sites have already reduced water withdrawal by 17.3%. Prioritized savings projects are all in the pilot phase or already complete. For example, water withdrawal has already been reduced by a technical optimization of the cooling towers in Latina and by various water saving measures in Qingdao. At the two Indian sites, Jhagadia and Nagda, rainwater projects were implemented with the local community. In addition, we concluded gap analyses regarding the local water stewardship programs at all water risk sites in the reporting year, and are seeing good progress. The water stewardship programs are to be fully initiated by 2023.

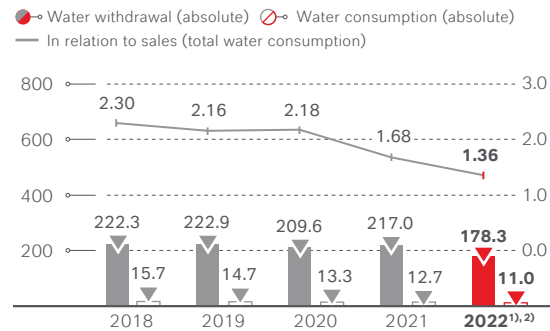
**Sparing use of water**

Handling scarce water resources in a conscious and careful manner is an investment in the future. In order to break the link between our growth and water consumption and potential stresses from wastewater discharge, we have set ambitious targets at Group level. We are aiming for



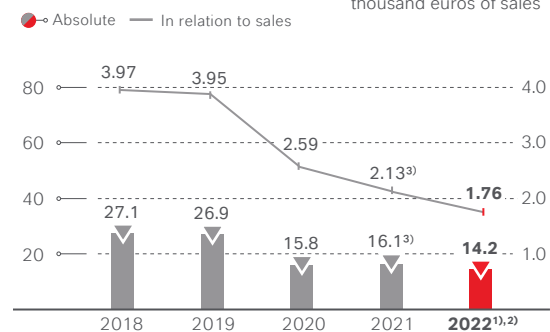
an annual reduction of both specific water consumption and specific total organic carbon (TOC) in wastewater flows by 2%.

**Water Withdrawal & Consumption** in cubic meters/  
in million cubic meters thousand euros of sales



1) Continuing operations  
2) LANXESS total: Water withdrawal: 226.8, Water consumption: 12.4, specific: 1.24

**Wastewater Discharge (treated)** in million cubic meters in cubic meters/  
thousand euros of sales



1) Continuing operations  
2) LANXESS total: Wastewater discharge (treated): 15.6, specific: 1.56  
3) Figure restated



The comparison of water withdrawal and water consumption shows that, while large volumes of water are withdrawn (e.g. once-through cooling water), this water is later returned to the water cycle in the same quality. In 2022, LANXESS's water consumption is calculated by subtracting the volume of treated and untreated wastewater and water volumes (e.g. sold steam) sold to third parties from the water withdrawal (including purchased steam).

In the reporting year, both our water withdrawal and water consumption decreased considerably due to the deconsolidation of the HPM business unit. We achieved our target of reducing specific water consumption by at least 2% in the reporting year.

The volume of treated wastewater declined year-on-year. This is mainly due to the deconsolidation of the HPM business unit. As a responsible company, we consider numerous water quality indicators in addition to wastewater volumes in order to derive improvement measures. One of the most important parameters is TOC (total organic carbon). In fiscal year 2022, the specific TOC after wastewater treatment decreased to 0.12 kilograms/thousand euros (previous year: 0.17 kilograms/thousand euros). Because of this and the increase in sales, we achieved the reduction target of 2%.

Further information on our use of water can be found in our "Water" Background Paper.



**Sustainable waste management**

We aim to avoid hazardous as well as non-hazardous waste as far as possible and decouple our business growth and waste production. Rigorous material-flow management from raw material input to finished product is aimed at ensuring that we use resources as efficiently as possible and minimize our waste volumes.

Our business units and sites strive to increase efficiency and are working constantly on various research projects for the prevention, reduction and recycling of waste. In turn, our networked sites enable us to re-use many waste and secondary flows as a raw material directly in neighboring plants – both our own as well as those of other chemicals companies – to create closed loops and thus avoid the generation of waste.

In fiscal year 2022, LANXESS ramped up its activities with regard to waste. Various working groups conducted potential and market analyses to look at new on-site and off-site recycling options, partnerships for innovative chemical recycling processes or the further standardization of waste reporting. The goal is to increase the circularity of waste streams.

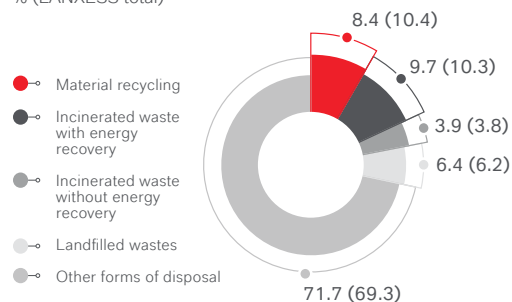
The amount of waste generated has decreased significantly compared to the previous year. This is due on the one hand to the portfolio change and on the other hand to an adjusted declaration of aqueous waste streams at our site in El Dorado, U.S., on the basis of updated reporting standards. From reporting year 2022, the site's



slightly polluted wastewater is reported as wastewater. The remaining wastewater still accounts for the biggest share of our waste.

**Waste for Disposal<sup>1</sup>**

% (LANXESS total)



1) Continuing operations

Using the previous year's method, the waste volume of continuing operations would have increased by roughly 5%.

We group waste into five categories, each divided into hazardous and non-hazardous waste. The chart shows each category's share (in %) of total waste.

In reporting year 2022, the share of recovered waste (material recycling/energy recovery) increased by 8 percentage points year-on-year to a total of 18%. The share of other forms of disposal decreased by around 12 percentage points compared to the previous year.

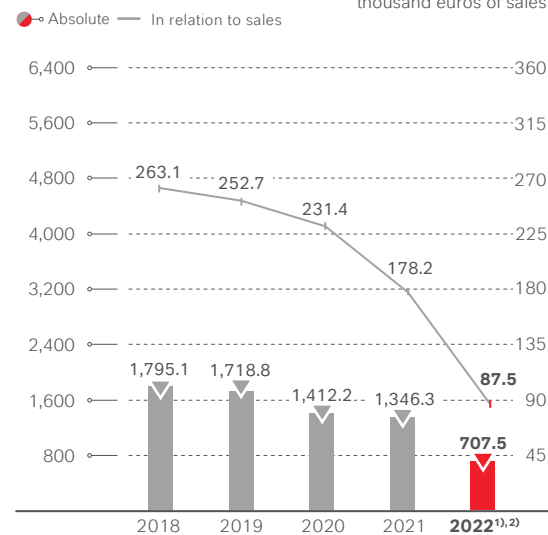


This was due, on the one hand, to the redeclaration in El Dorado and, on the other hand, to more detailed reporting at the sites in the Lower Rhine region. Through the increased efforts with regard to waste and improved data provision from the site utility company, a large volume of waste was reclassified from other forms of disposal to the other categories.

**Total Waste**

in thousand metric tons

in kilograms of waste/  
thousand euros of sales



1) Continuing operations

2) LANXESS total: Total waste: 738.3, specific: 73.7



**Systematic recording of key data**

To record key data on safety and environmental protection systematically worldwide, we use an electronic data-entry system. This enables us to calculate a wide range of HSE performance data for each business unit and site worldwide, which is used as a valid data pool for strategic decisions as well as internal and external reporting. In addition, it maps the progress that we make with our global sustainability targets. Data is gathered only at production sites where we have equity interest of more than 50%. Due to the planned deconsolidation of the HPM business unit, we are disclosing this data separately.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft audited our environmental and safety performance data and the requisite data-gathering processes with limited assurance for fiscal year 2022.

The non-financial performance indicators "CO<sub>2</sub>e emissions (Scope 1 and Scope 2) and energy" as well as the "lost time injury frequency rate (LTIFR)" are management-relevant performance indicators. Therefore, they are part of the "reasonable assurance" audit of the consolidated financial statements and the combined management report.



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**Environmental and Safety Performance Data\***

	2020	2021	2022	2022
			Continuing operations	HPM business unit
<b>Safety</b>				
Occupational injuries to LANXESS employees resulting in at least one day's absence (LTIFR <sup>1)</sup> )	1.0	0.9	0.5	1.1
<b>Volume sold<sup>2)</sup> in thousand metric tons</b>	<b>4,256</b>	<b>4,754</b>	<b>2,754</b>	<b>1,541</b>
<b>Energy consumption in petajoules (10<sup>15</sup> joules)<sup>3)</sup></b>	<b>24.4</b>	<b>28.6<sup>3)</sup></b>	<b>25.4</b>	<b>2.8</b>
Direct energy sources (GRI 302-1)				
Non-renewable	9.5	11.2	10.4	1.1
Renewable (biomass)	2.4	3.3	3.3	0.0
Indirect energy sources (GRI 302-1) <sup>4)</sup>				
Electricity consumption	5.8	6.3	4.7	1.5
Heat and steam consumption	6.0	7.05 <sup>3)</sup>	6.3	0.2
Energy consumption for cooling	0.55	0.54	0.55	0.00
Other	0.15	0.11	0.12	0.00
<b>Water and wastewater in million cubic meters</b>				
<b>Total water withdrawal (GRI 303-3)</b>	<b>209.6</b>	<b>217.0</b>	<b>178.3</b>	<b>48.5</b>
Surface water	48.4	57.5	28.1	45.7
Groundwater	4.3	4.6	4.5	0.0
Third-party wastewater	1.2	1.1	1.2	0.0
Third-party water	155.7	153.8	144.5	2.8
<b>Total water withdrawal in water-stress areas, 4.2<sup>13)</sup> (GRI 303-3)</b>	<b>4.7</b>	<b>4.5</b>	<b>4.1</b>	<b>0.1</b>
<b>Volume of once-through cooling water, 188.4<sup>13)</sup> (GRI 303-4)</b>	<b>169.7</b>	<b>176.4</b>	<b>142.7</b>	<b>45.7</b>
<b>Total wastewater discharge (GRI 303-4)</b>				
Wastewater discharge (treated)	15.8	16.1 <sup>a)</sup>	14.2	1.4
Wastewater discharge (untreated)	178.8	187.4	152.2	45.9
<b>Total wastewater discharge by destination (GRI 303-4)</b>				
Surface water		191.5	155.5	46.9
Groundwater		0.0	0.7	0.0
Seawater		0.4	0.4	0.0
Third-party water		11.5	9.8	0.4
<b>Wastewater emissions (after treatment) in thousand metric tons</b>				
Total nitrogen	0.4	0.5	0.4	0.0
Total organic carbon (TOC) <sup>5)</sup>	1.2	1.3	1.0	0.1
Heavy metals <sup>6)</sup>	0.0021	0.0023	0.0019	0.0001
<b>Total water consumption in million cubic meters (GRI 303-5)<sup>7)</sup></b>	<b>13.3</b>	<b>12.7</b>	<b>11.0</b>	<b>1.4</b>

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**Emissions to air in thousand metric tons**

Total greenhouse gas emissions CO <sub>2</sub> e (GRI 305-1, GRI 305-2)	2,533	2,591	1,994	472
Direct (Scope 1) <sup>8)</sup>	1,263	1,284	843	392
Indirect (Scope 2, marked-based) <sup>9)</sup>	1,270	1,307	1,151	80
Ozone-depleting substances (GRI 305-6)	0.004	0.004	0.004	0.000
NO <sub>x</sub> , SO <sub>x</sub> and other emissions (GRI 305-7)				
NO <sub>x</sub> <sup>10)</sup>	2.1	1.4	0.9	0.4
SO <sub>2</sub> <sup>11)</sup>	0.9	0.9	0.3	0.3
CO	2.1	3.2	2.6	0.1
NH <sub>3</sub>	0.02	0.03	0.01	0.01
NM VOC <sup>12)</sup>	1.2	0.8	0.6	0.1
<b>Waste in thousand metric tons</b>				
Total weight of waste (GRI 306-3)	1,412.2	1,346.3	707.5	30.8
Incineration with energy recovery	77.1	70.7	68.3	7.5
Incineration without energy recovery	30.5	28.7	27.6	0.3
Landfilling	52.1	52.4	45.0	1.0
Material recovery	47.9	60.5	59.1	17.9
Other forms of disposal	1,204.6	1,134.0	507.5	4.1
Type of waste				
Hazardous	566.4	664.8	626.9	6.4
Non-hazardous	845.8	681.5	80.6	24.4

Explanations concerning our environmental and safety performance data

- \* The aggregate data refer to all LANXESS production sites in which the company holds equity interest of more than 50%.
- 2022: As a result of the acquisition of International Flavors & Fragrances Inc. (as of July 1, 2022), the environmental figures for the production site Institute were included pro rata.
- 1) LTIFR: rate of occupational accidents with an incapacity certificate per planned million hours worked resulting in calendar days lost following the day of the accident (day of the accident does not count), calculated for all employees at all sites (including temporary workers for Germany, NAFTA, China, and India).
- 2) Products sold internally to another LANXESS company or externally (excluding commercial products).
- 3) The energy volumes given were calculated on the basis of typical substance values. They do not include energy contained in raw materials.
- 4) Presented as a balance sheet, whereby the volume of energy sold is subtracted from the volume of energy purchased.
- 5) Chemical oxygen demand (COD) is calculated as follows: [COD] = [TOC] \* 3. COD 2022: 3.0 kt. (not including BU HPM).
- 6) Heavy metals (arsenic, cadmium, chromium, copper, mercury, nickel, lead, tin, zinc).
- 7) According to GRI 303-5, total water consumption is calculated by subtracting the total water discharge from the total water withdrawal.
- 8) All Scope 1 greenhouse gases are calculated as CO<sub>2</sub>e. The emission factors used for fuels are based on calculations by the U.S. EPA (GHG Emission Factors Hub, September 15, 2021) and on the IPCC Guidelines for National Greenhouse Gas Inventories (2006). In accordance with the GHG Protocol (2004), since 2021 the factors for calculating CO<sub>2</sub>e have been based on the global warming potential (time horizon: 100 years) defined in the IPCC Sixth Assessment Report (AR6 2021), previously IPCC Second Assessment Report (SAR, 1995). In accordance with the GHG Protocol, the CO<sub>2</sub> emissions from the combustion of biomass are shown separately and are not included in the Scope 1 emissions. The following emissions were produced during the reporting period: 2018: 230 kt CO<sub>2</sub>, 2019: 184 kt CO<sub>2</sub>, 2020: 268 kt CO<sub>2</sub>, 2021: 294 kt CO<sub>2</sub>, 2022: 298 kt CO<sub>2</sub> (not including BU HPM). The material composition of the biomass is partially based on assumptions/estimates.
- 9) All Scope 2 greenhouse gases are calculated as CO<sub>2</sub>e. In 2022, the conversion factors used were provided by the energy producers. Where these were not available, factors from the IEA (International Energy Agency) from 2020 were used for fiscal year 2022, from 2019 for 2021 and from 2018 for 2020. CO<sub>2</sub> Scope 2 emissions for 2022 (location-based method): 1,233 kt (not including BU HPM); CO<sub>2</sub> Scope 2 emissions for 2022 (location-based method): 1,345 kt (including BU HPM).
- 10) Nitrogen oxide (NO<sub>x</sub>) calculated as NO<sub>2</sub> (excluding N<sub>2</sub>O; nitrous oxide).
- 11) Sulfur dioxide (SO<sub>2</sub>) + SO<sub>3</sub> calculated as SO<sub>2</sub>.
- 12) Total VOC (volatile organic compounds) excluding methane and acetone.
- 13) LANXESS total.
- a) Values restated due to supplementary notifications or change in calculation method.



## Corporate citizenship

Our understanding of sustainable sites also includes being a strong and reliable partner for the people locally and in the respective region and taking social responsibility. Our commitment is based on our corporate expertise and objectives and focused on education, climate protection, water and culture. Our goals in all these areas are identical:

- › Mobilizing resources and people for social commitment
- › Achieving positive impacts on the company, the environment and society

As a company, we aim to play a positive part in improving living conditions, education, training and equal opportunities as well as health and safety. In addition, we are working to attract talented persons, engage in extensive dialog with our stakeholders, have a positive impact on employee motivation and constantly improve our reputation.

We provided around €1.3 million globally for our projects in 2022 (previous year: around €1.5 million). The regional focal points of our activities in the reporting year were the EMEA (particularly Germany) and Americas (number of projects) regions.

We select projects involving social engagement according to whether they pursue purely charitable ends (“charitable gift”) or whether we are investing in the social environment

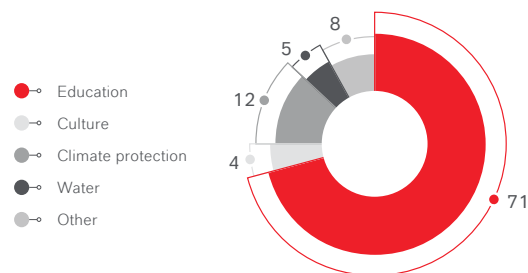


of our sites (“community investment”) or in corporate objectives such as image, sales and income while also generating social value (“commercial initiative”).

In total, roughly 1.5 million (previous year: roughly 1.5 million) people benefited from our projects in 2022. We use a system of performance indicators to measure the social impact of our activities above and beyond the number of people who benefit. In 2022, we performed an impact assessment for all (100%) of the projects we carried out, taking into account positive effects in the area around the site and positive environmental effects on our business. Specific feedback from people who benefit from our projects is a key factor in this context. We regard these indicators as relevant benchmarks, with which we manage our measures in an impact-oriented manner.

### Social Activities by Topic<sup>1)</sup>

%



1) Number of projects: 138



### Social Activities by Type of Investment<sup>1)</sup>

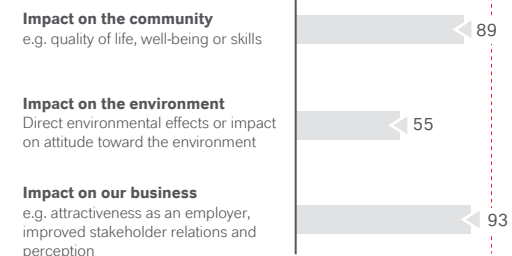
%



1) Number of projects: 138

### Impact Dimensions of Evaluated Activities and Projects

%



1) Number of projects: 138



**Commitment to education, climate protection, water and culture**

Under the LANXESS education initiative, starting in 2008, we have initiated more than 500 projects at our sites worldwide to get young people interested in the natural sciences at an early age. In 2022, we supported a preparatory seminar for 20 schoolchildren from North Rhine-Westphalia, who had qualified to take part in the 54th International Chemistry Olympiad in China, with a sum of €10,000.

In Brazil, we implemented the “Formare 2022” program together with the lochpe Foundation, which prepares young people from low-income backgrounds for the world of work and helps them look for their first job. The program is conducted in partnership with companies that provide their employees as volunteer educators. For example, ten young people from Porto Feliz were chosen to be prepared for vocational training for the role of “Production Operator in the Chemical Industry.”

In another project, LANXESS helped municipal schools in Nagda, India, to set up digital classrooms with interactive e-learning tool and a digital library. The schoolchildren also have access to a chemistry lab complete with instruments.



In Japan, we strove to educate schoolchildren about climate change and its impact. Our newly developed “Climate Class and Science Experiment Workshop” program started in 2022, providing opportunities to learn about the environment and the fight against climate change. In the reporting year, we offered three workshop for children in grades one through six. In Brazil, the “Juntos pelo clima 2022/Together for the Climate 2022” project saw elementary schoolers learn about ecological challenges and how they can help to solve them on an environmental activity trail.

In 2022, LANXESS India also assisted the local community in Jhagadia, in the state of Gujarat, and the surrounding villages with the installation of solar-powered streetlights. They not only illuminate the villages but also help to make the roads safer.

In order to meet the demand for water in the arid Nagda region in Madhya Pradesh, India, our Indian company implemented a rainwater-collection project aimed at raising the water table. A similar project was also carried out in Jhagadia. Moreover, the eighth “Clean Water for Better Life” research competition was held for students in China.



As part of our cultural commitment, we have been sponsoring the international literature festival lit.Cologne as a lead partner since 2010 and the Kölner Philharmonie for several years. The Ozawa International Chamber Music Academy in Japan, which we have likewise supported for twelve years, gives talented young musicians from all over Asia the opportunity of first-class musical training.



**Ukraine war: LANXESS donates €200,000**

In light of the dramatic events in Ukraine, LANXESS has supported humanitarian aid. In the reporting year, the company donated €200,000 to “Aktion Deutschland Hilft,” a grouping of more than 20 aid organizations. The alliance is currently active in Ukraine and its neighboring countries. It has links to local organizations and supports families fleeing the war – in Ukraine and at the stops on their journey.



## CLIMATE ACTION AND ENERGY EFFICIENCY



With the Paris Climate Agreement, the international community committed to limiting global warming to less than two degrees Celsius above the pre-industrial level. At the Climate Change Conference in Glasgow in November 2021, this ambition was for the first time backed up with concrete reduction requirements for greenhouse gas emissions. By 2030, for example, global CO<sub>2</sub> emissions must be cut by 45% versus 2010, and net-zero emissions must be achieved by 2050. Meanwhile, in Germany, the “Climate Protection Plan 2050” currently sets out the interim goal of cutting greenhouse gas emissions by 2030 by 55% compared with the base year of 1990. Industry is expected to contribute to this with a reduction of between 49% and 51%. As of this year, LANXESS has joined the growing list of companies that have set themselves science-based targets to limit global warming to 1.5 degrees Celsius. The validation of our commitment by the Science Based Targets initiative (SBTi) indicates that we are on the right track.

Since it was founded, LANXESS has made substantial progress towards its goal of becoming more environmentally friendly. Between 2004 and 2018, we halved our greenhouse gas emissions from around 6.5 million metric tons of CO<sub>2</sub>e to about 3.2 million tons.



In light of this, it was therefore time to set new, ambitious medium- and long-term targets and thus fulfill our responsibility as a global specialty chemicals company: LANXESS is to be **climate neutral** in terms of our Scope 1 and 2 emissions by 2040. By 2030, we aim to reduce the greenhouse gas emissions achieved in 2018 by more than half to around 1.3 million metric tons of CO<sub>2</sub>e. We will thus have achieved an 80% reduction compared to the emissions when LANXESS was founded.

In the reporting year, LANXESS set a target for indirect emissions from the upstream and downstream supply chain (Scope 3) for the first time. The Group intends to make the entire supply chain climate-neutral by 2050. This encompasses indirect emissions associated with purchased raw materials, logistics and end products. By 2030, Scope 3 emissions are to be cut by 40% – from 27.0 million metric tons to 16,500 million metric tons of CO<sub>2</sub> equivalents – compared with the reference year 2015. To achieve its Scope 3 targets, LANXESS has launched the “Net Zero Value Chain” initiative.

The LANXESS climate targets for Scope 1 and Scope 2 emissions are in line with the Paris Climate Agreement. The Science Based Targets initiative (SBTi), a joint initiative of the climate change mitigation organizations CDP, the U.N. Global Compact, the World Resources Institute and the World Wide Fund for Nature, validated the Group



targets for the reduction of emissions and confirmed that LANXESS is supporting the objective of limiting global warming to a maximum of 1.5 degrees Celsius. At the same time, the SBTi also confirmed our Scope 3 emissions reduction target as ambitious. To measure climate-relevant emissions, we collect data on emissions of greenhouse gases defined in the Kyoto Protocol and calculate their greenhouse effect in comparison to carbon dioxide.

**Initiatives for our journey to climate neutrality**

**“Climate Neutral 2040” (Scope 1+2)**

- › Implement climate protection projects that generate major reductions.
- › Decoupling growth and emissions.
- › Strengthen process and technological innovations.
- › Compensate remaining emissions.

**“Net Zero Value Chain” (Scope 3)**

- › Purchase sustainable raw materials.
- › Transition to green logistics.
- › Offer more climate-neutral products and solutions with a low carbon footprint.



**“Climate Neutral 2040”: Clear strategy to lower direct emissions**

We are taking a multi-pronged approach to achieve our target:

**Launch climate protection projects (medium-term target)**

Over the next few years, several measures will significantly lower greenhouse gases.

For example, we are switching the energy supply in Jhagadia to a mix of biomass and solar power. This is expected to cut our CO<sub>2</sub>e emissions by a further 150,000 metric tons from 2024. As of the reporting date, the percent of renewable energies at the Jhagadia site was 37%, while the Nagda site achieved around 88%. We already operate a highly efficient cogeneration plant entirely with biomass in Porto Feliz, Brazil. We are also planning to phase out the use of coal-based energy at our major production sites in Germany.

Through these projects and other measures, we want to decrease our CO<sub>2</sub>e emissions to 2.3 million metric tons by 2025.



**Decoupling growth and emissions (long-term target)**

LANXESS is growing. But despite increasing production, emissions of greenhouse gases in our individual business units are set to shrink. In addition to technological efficiency, changed governance instruments play a significant role: a company’s carbon footprint becomes an investment criterion that impacts organic growth and acquisitions. This gives business units that achieve better than average reductions in greenhouse gas emissions a direct financial advantage. In 2020, the Board of Management and the Supervisory Board also decided that the reduction in CO<sub>2</sub>e will be used as an assessment criterion for the compensation system for managers and the Board of Management in the future.

**Strengthen process and technological innovations (long-term target)**

We are revising many of our existing production processes in order to be climate neutral by 2040. For example, we plan to continue improving our network structures, e.g. when it comes to heat exchange between plants and air purification. However, other procedures must first be developed on a large industrial scale. We will therefore focus our research activities more closely on climate-neutral process and technological innovation.



By implementing the above measures, we want to decrease our annual emissions to less than 300,000 metric tons by 2040. We plan to neutralize the remaining emissions via appropriate offsetting measures. In this way, we will not only make a significant contribution to climate protection in the years to come but also become an even more sustainable partner for our customers.

**“Net Zero Value Chain” program: Clear strategy to lower indirect emissions**

In the reporting year, LANXESS also developed a clear strategy to lower indirect emissions and launched the Net Zero Value Chain program. This aims to make the entire LANXESS supply chain climate-neutral. The indirect emissions in the upstream and downstream supply chain (Scope 3) are to be eliminated by 2050. The “Net Zero Value Chain” initiative is based on three pillars:

- › Transition of raw materials purchasing to increasingly sustainable raw materials that are bio-based, originate from a recycling process or are produced with renewable energy.
- › Greater consideration of carbon footprint when selecting means of transport.
- › Expansion of our range of climate-neutral products and solutions with a low carbon footprint.





NFR

In the coming years and decades, climate change will have significant global consequences for companies' business activities. This year, LANXESS therefore continued to work on an extensive risk analysis, based on three climate categories. We perform this scenario analysis globally for all locations and assess the risks that could arise in the short, medium and long terms.

**Uncertainty over emissions trading**

In Europe, twelve of our plants are subject to European emissions trading. Trading with CO<sub>2</sub> emissions rights, known as certificates, is intended to reduce emissions of the environmentally harmful gas CO<sub>2</sub> cost-effectively. Because all of our plants covered by emissions trading are state-of-the-art and compete at the international level, we expect to receive enough certificates from free allocation to cover the expected CO<sub>2</sub> emissions by the end of the fourth trading period in 2030. At present, however, we cannot precisely estimate the effects of changes to the EU emissions trading system planned under the Green Deal. Since 2021, the introduction of the Fuel Emissions Trading Act (n-ETS) has resulted in additional costs, which suppliers include in the natural gas price. We cannot yet precisely estimate further costs due to the Scope expansion planned from 2023.

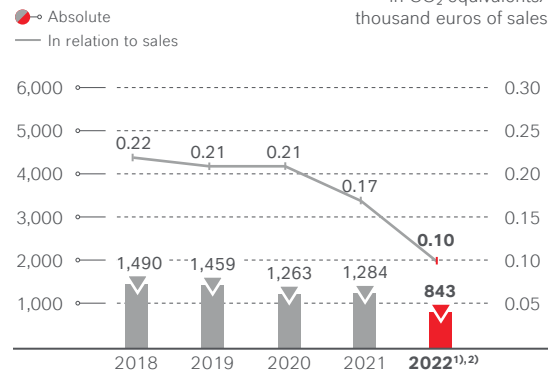
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**CDP gives LANXESS top score**

For more than a decade, we have been participating in the international climate protection initiative CDP (formerly the Carbon Disclosure Project), each year sharing data and information on climate protection and the reduction of emissions. As one of 283 companies worldwide, we again received the best possible score of "A" in the "climate" category in the assessment for 2022, which puts LANXESS among the top 2% of the more than 15,000 companies rated by CDP. These gratifying results gave us encouragement to continue systematically pursuing our climate protection strategy. In the reporting year, we also received a very respectable A- from CDP for our water security efforts.

**Greenhouse Gas Emissions (Scope 1)**

in thousand metric tons of CO<sub>2</sub> equivalents in CO<sub>2</sub> equivalents/ thousand euros of sales

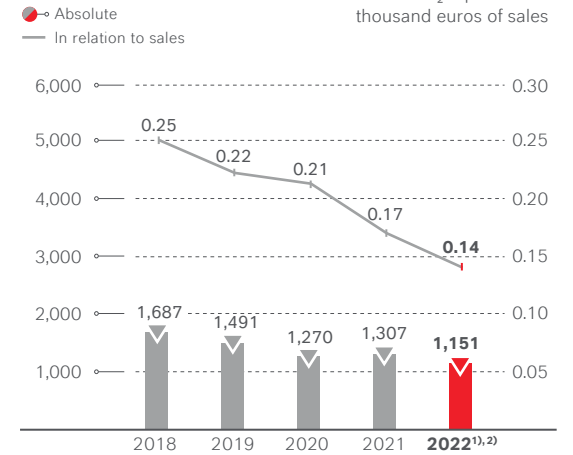


1) Continuing operations  
2) LANXESS total: Scope 1: 1,235, specific: 0.12

NFR

**Greenhouse Gas Emissions (Scope 2)**

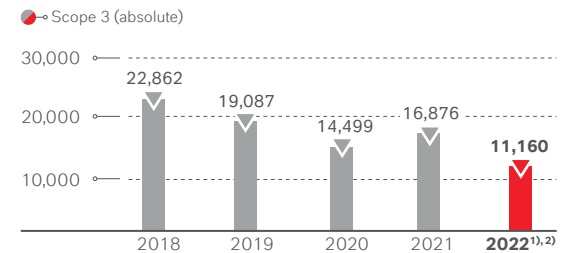
in thousand metric tons of CO<sub>2</sub> equivalents in CO<sub>2</sub> equivalents/ thousand euros of sales



1) Continuing operations  
2) LANXESS total: Scope 2: 1,231, specific: 0.12

**Greenhouse Gas Emissions (Scope 3)**

in thousand metric tons of CO<sub>2</sub> equivalents



1) Continuing operations  
2) LANXESS total: 14,652



NFR

In 2022, our absolute Scope 1 emissions were significantly lower than the previous year's level, among other things this is due to the change in our portfolio. Moreover, the transition from coal to biomass at our Indian sites continues apace and is making a major contribution to the reduction of the CO<sub>2</sub> figures. This is countered by the full-year consolidation of the sites from the acquisitions of Emerald Kalama Chemical and Theseo, which were only included pro rata in 2021. Because of our altered portfolio, the transition to biomass and increased sales, the specific Scope 1 emissions also decreased year-on-year.

For continuing operations, Scope 2 emissions are also significantly below the previous year's level. This development is based mainly on the deconsolidation of the HPM business unit, but also a lower production volume.

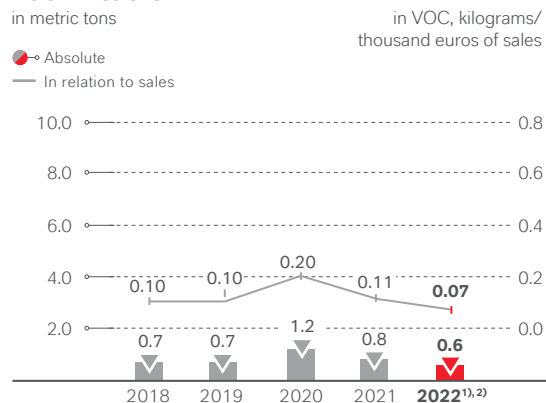
The specific figure continues to decline due to the portfolio change and the increased sales.

NFR

In fiscal year 2022, we also registered significantly lower Scope 3 emissions due to the portfolio change and a declining production volume.

### Other atmospheric emissions

#### VOC Emissions



1) Continuing operations  
2) LANXESS total: VOC: 0.7, specific: 0.07

NFR

In fiscal year 2022, absolute and specific VOC emissions decreased again due to the deconsolidation of the HPM business unit.

### Systematic energy management

A high level of energy efficiency improves not just our emissions footprint but also our cost position, thus ultimately making LANXESS more competitive. Our global energy management promotes projects that increase energy efficiency in our plants. In each business unit, energy officers ensure the ongoing improvement of energy-related performance. Technical experts from the central departments help the local teams to identify and implement effective projects to increase efficiency.

With this efficiency improvement target, we have taken part in the Energy Efficiency Networks Initiative, established by the German federal government and leading industry associations, with several German sites since 2017. For example, our Mannheim site also participated in the ChePap 2 network in the reporting year, the Bitterfeld site in the Bitterfeld-Wolfen 2.0 network.

### LANXESS supports the KlimaWirtschaft Foundation

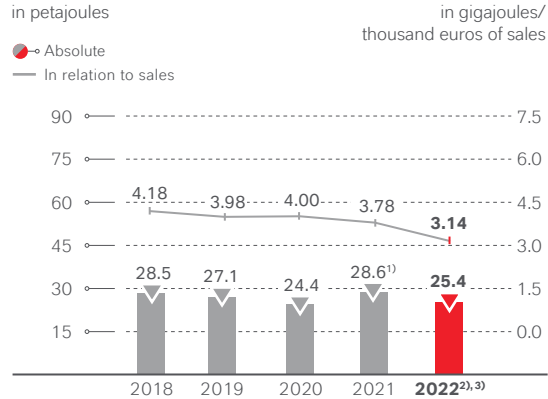
A forward-looking energy and climate policy framework is a prerequisite for German industry to remain competitive. Since June 2021, LANXESS has therefore been one of the first two representatives of the chemical industry to support the KlimaWirtschaft Foundation, an initiative of chairmen, CEOs and family businesses. The foundation's aim is to call on politicians to establish effective market-based conditions

for climate protection and to support the problem-solving skills of German companies. In collaboration with 17 industrial companies, the Foundation, Agora Energiewende and Roland Berger compiled twelve recommendations for action at the start of 2021. We are convinced that our many years of experience in climate management will be beneficial to the Foundation.

[klimawirtschaft.org](https://www.klimawirtschaft.org)



### Energy Consumption (Balance Sheet)



1) Figure restated  
 2) Continuing operations  
 3) LANXESS total: Energy: 28.2, specific: 2.82

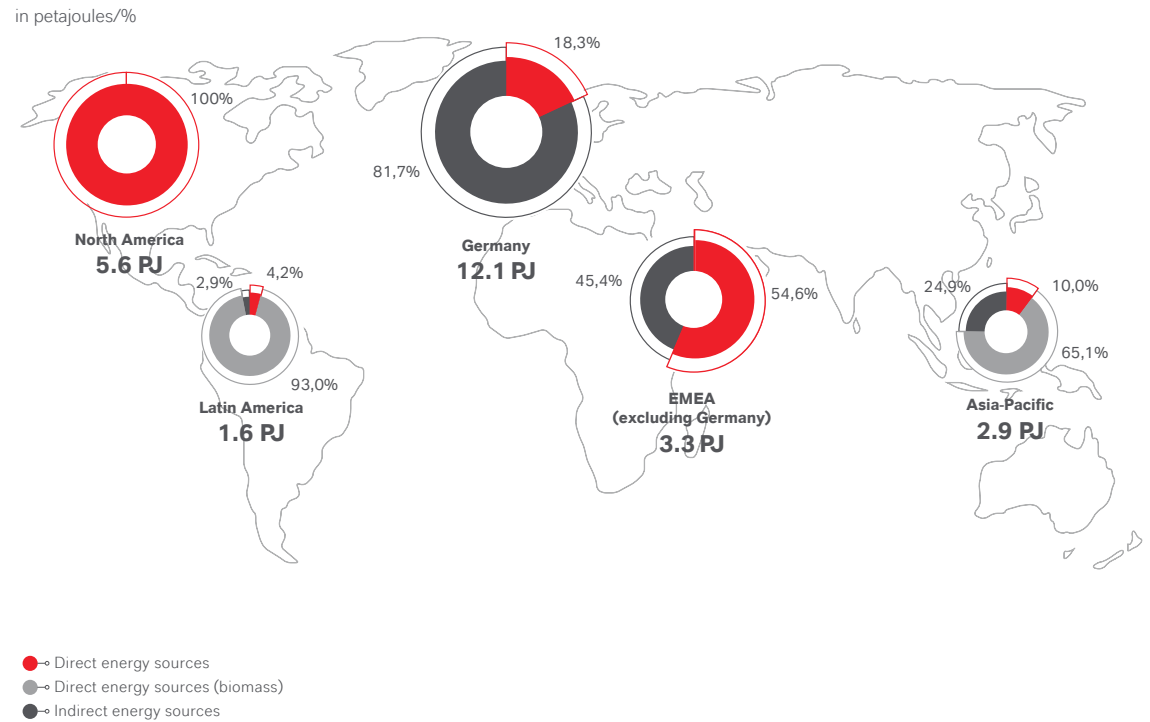
Both our absolute and our specific energy consumption declined in 2022. Besides the effect of the altered portfolio, lower production volumes and efficiency measures also helped to reduce energy consumption.

An analysis of energy consumption by region shows stark regional differences both in the amount of energy and the types of energy source.

Since the German sites account for the largest share of production volume, the most energy is also consumed there. At the networked sites in the Lower Rhine region, the site utility company mostly provides indirect energy sources. LANXESS operates most sites in the U.S., where according to the balance sheet only direct energy sources are used. In EMEA, there is a balanced mix of



### Direct and Indirect Energy Consumption by Region<sup>1)</sup>



1) Continuing operations

direct and indirect energy sources. In the Latin America and Asia-Pacific regions, the large share of biomass-based direct energy sources is particularly notable.



### Sustainable logistics

We select our transportation solutions individually worldwide in line with the principles of safety, punctuality and cost-efficiency. In doing so, we also take into account the CO<sub>2</sub> emissions resulting from transportation.



We are particularly endeavoring to transition from road transport to intermodal transport options. In this context, we are currently making targeted investments in digital solutions that tell us the status of ship transports early on so that we can plan the subsequent land transport with means of transport with the lowest possible emissions in a forward-looking manner. Furthermore, we plan to make increasing use of comparatively low-emission combined-transport options, where most of the distance



involved is covered by train, barge or sea vessel, thus keeping initial and final journeys by road to an absolute minimum. However, increased use of rail means that combined transport is even an option for long-distance connections to China.

To transport our rail freight in Germany, we continue to use the TÜV SÜD-tested Eco-Plus service of the logistics company DB Cargo. The power required for transportation is obtained from regenerative energy sources. As a result, we can reduce our CO<sub>2</sub> emissions in national rail transportation by approximately 80% compared with conventional options.

[Further information on our climate strategy can be found in the "Climate" Background Paper.](#)



## GOOD GOVERNANCE AND ENERGIZED EMPLOYEES



### Good governance

LANXESS's corporate culture is based on five central values: respect, ownership, trust, professionalism and integrity. These values apply always and everywhere – and to all employees. We seek to foster a corporate culture in which responsible and morally irreproachable actions and striving for performance do not contradict but complement each other.

Our central values, supplemented by operational guidelines and organizational structures – summed up as good corporate governance – enable our employees to act responsibly in their day-to-day work and thus turn a relatively abstract concept into a specific corporate success factor. At LANXESS, good corporate governance is embodied by a values-based and safety-conscious corporate culture, effective management systems and a commitment to internationally recognized principles of responsible management, such as the principles of the U.N. Global Compact.



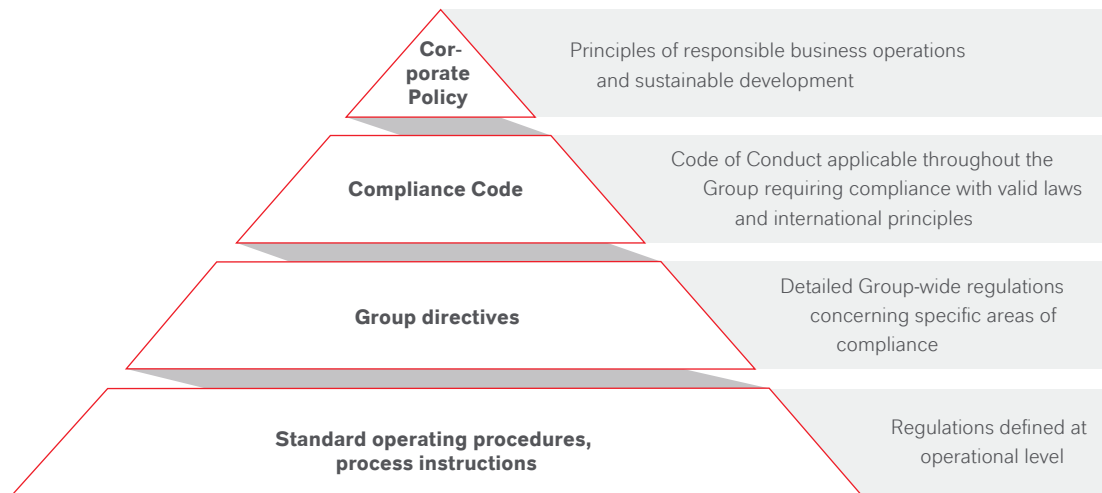
### Compliance organization

For LANXESS, responsible corporate governance particularly implies compliance with legal and internal standards and ethical principles to which all employees must adhere. Our global compliance organization – comprising the Group Compliance Officer, the regional Compliance Officers, and a network of local Compliance Officers – supports all areas of the company in implementing appropriate measures to counter unlawful or unethical conduct within the LANXESS Group at an early stage and to prevent misconduct. The compliance organization is also available to all employees as a point of contact for any compliance-related issues. The direct reporting line from the Group Compliance Officer to the Board of Management guarantees that the Board of Management members receive regular information.

We also ensure responsible business activities with our [committee structure](#) geared toward effective sustainability management and with our [integrated management system](#) that provides for the necessary global structures in all business processes.



**Clear Rules Provide Guidance**



**Internal guidelines and regulations**

Our Corporate Policy lays out principles of responsible business operations and sustainable development and defines our general corporate philosophy and the expected conduct of all employees in relation to our stakeholders.

The LANXESS Code of Conduct, which is applicable throughout the Group, requires all our employees – across all organizational units, regions and hierarchy levels – to behave lawfully and with integrity. Through correct and proper conduct, each employee is responsible for helping to prevent harm to LANXESS and increase the company's



value over the long term. The code covers issues such as human rights, cartel and antitrust law, anti-corruption, data protection, occupational, product and plant safety, and environmental protection.

Other Group directives or Group-wide standards, such as the HSE directives and the anti-corruption standard, define the specific application of regulations in the individual areas of compliance covered by the code and are binding for our staff throughout the Group. On the basis of these LANXESS directives, more detailed regulations that also take account of local requirements are defined at the operational level in standard operating procedures and



process instructions, etc. The applicable directives, standard operating procedures and guidelines are accessible to all employees. Employees are also regularly informed of new and updated regulations relevant to them.

**Human rights**

In line with our values and operational guidelines, we are committed in our markets and supply chains to promoting respect for human rights at all times and systematically preventing child and forced labor, for example. At LANXESS, human rights and ethical principles apply without restriction, even if they are not stipulated in the legislation of individual countries. Our target is formulated with corresponding clarity: in all areas over which LANXESS has control, there should be no breaches of human rights. We have included all relevant information on our commitment and on the measures established in the Group to protect human rights in the “LANXESS Position on Human Rights.”

Direct responsibility for ensuring that human rights are respected at all times lies with the respective management at our sites, supported by our global compliance organization and by the regional and local Compliance Officers. At Group level, human rights are subject to regular evaluation as part of our risk management system. For example, we conduct specific risk assessments in all national companies with regard to the potential risk of human rights violations. The general risk potential across the Group is determined annually, and national companies with elevated risk potential are subjected to an additional, comprehensive risk assessment at least every three years. This accounts for all fundamental risks of human rights



violations. The risk assessments are coordinated by Group headquarters and carried out by the responsible departments at national level. The assessments confirm that there is a high level of awareness of the subject and that functioning mechanisms have been established to prevent violations of human rights.

Furthermore, all organizational units at LANXESS and their business activities are subject to regular internal and external audits. It goes without saying that these activities also include monitoring respect for human rights and – if necessary – the introduction of suitable measures to guarantee this.

Our Code of Conduct includes unambiguous instructions regarding the respect of human rights. The code, which all new employees receive with their employment contract, is also an aspect of general training measures. In addition, we hold training sessions geared toward specific selected human rights issues such as occupational safety. In the event of suspected human rights violations, our employees and external third parties can report them in various ways. For example, the Compliance Helpdesk and the “SpeakUp” reporting system can be used to notify the compliance organization – also anonymously if they wish.



We have no reports or knowledge of any systematic discrimination against LANXESS employees on the basis of skin color, age, gender, sexual orientation, origin, religion, physical and mental abilities, trade union membership or political opinion. In individual cases, misconduct by employees in respect of colleagues or third parties was reported. We will not tolerate verified misconduct and it will result in appropriate disciplinary measures up to and including dismissal.

We also expect our suppliers to commit to values and rules, especially the principles of the U.N. Global Compact and the ILO Labour Standards, and to establish adequate systems for ensuring legally compliant and responsible behavior. When we select new suppliers, it is essential for us that they acknowledge the principles on respect for human rights contained in our Business Partner Code of Conduct or have established their own comparable regulations and management systems in line with the U.N. Global Compact.

In addition, we promote responsible action in the supply chain with our involvement in the Together for Sustainability (TfS) initiative, which we operate jointly with other international chemical companies. Under this initiative, companies that supply significant goods and services are regularly assessed in the context of TfS audits. These supplier assessments also cover compliance with aspects of our Business Partner Code of Conduct, such



as compliance with human rights, including with regard to child labor and forced labor. In the reporting year, we received no indications of human rights violations by our suppliers. We have structures in place to follow up individual indications of rights violations as part of our established processes.

We have also established the necessary sales-related processes to fulfill our responsibilities. This particularly includes our processes for central product monitoring and for trade compliance, especially with regard to regulations for preventing dual use. We also systematically evaluate the impact of our products on people as part of our portfolio analysis.

All acquisitions of companies, interests in companies, or businesses are subject to a careful due diligence process to ensure that human rights are also respected by the target company.

Thanks to our long-standing, proven mechanisms for compliance with human rights due diligence obligations – both in our business operations and in the supply chain – we believe we are well prepared for the regulatory developments formalizing the protection of human rights in many regions of the world. Our “People & Governance” sub-committee has taken on the task of closely examining the growing legal requirements in an interdisciplinary team of experts and coordinating the necessary measures.



**Anti-corruption**

By signing the U.N. Global Compact, we have undertaken to actively counter all forms of corruption. This undertaking is also contained within the LANXESS Code of Conduct, wherein we make all employees aware of this topic. Our target is clear: no incidents. Prevention of corruption is part of our general compliance management system. In the reporting year, the existing guideline on incentives was revised and replaced with the new Group-wide anti-corruption standard. This defines organizational measures and regulations for setting up the compliance management system as well as responsibilities for implementation, support and continuous monitoring of the system. The respective site management, supported here too by our global compliance organization and by regional and local compliance officers, is responsible for preventing instances of corruption at all times.

A Group-wide standard provides clear guidance regarding incentives. Our employees are prohibited, either directly or in connection with their professional duties, from offering personal advantages to the employees of other companies – in particular when initiating, awarding or handling an order or assignment. Our employees are likewise prohibited from accepting such advantages or requesting them for themselves. If an employee is offered such gifts, they must immediately notify their supervisor or the compliance organization. Exceptions may be made for customary occasional or promotional gifts that are symbolic in nature and of low value.



Over  
**6,000**  
participations  
in compliance  
training  
sessions



LANXESS must not grant advantages of any kind to public servants or other officials in Germany or abroad. When commissioning service providers who have contact with officials on behalf of LANXESS, employees must likewise ensure compliance with the prohibition on corruption. It is one of LANXESS's basic principles not to support any political parties or groups. LANXESS is involved in large industrial associations, which we regard as fundamental to representing our interests. We disclose contributions and spending on political activities transparently.

Donations require approval from the Corporate Communications central function – depending on the value – or from the Chairman of the Board of Management of LANXESS AG, in both cases after prior consultation with the compliance organization.

To enhance our employees' awareness of these rules of conduct, the issue of corruption is regularly covered by compliance training. In addition, we hold specific anti-corruption training aimed at exposed professional groups and countries. In the reporting year, we recorded more than 6,000 participations in compliance training sessions worldwide. If there are indications of compliance violations, our employees and external third parties can contact the compliance organization – anonymously if they wish. Our Group-wide "SpeakUp" reporting system allows all employees or external third parties to report potential violations in writing or by telephone in over 20 languages and guarantees secure and anonymous communication between the compliance organization and the individuals making the reports.



The Corporate Audit function examines the implementation of and adherence to our compliance principles in the LANXESS Group. This also includes reviewing the measures to prevent corruption. The annual audit planning, which covers all business units, follows a risk-based approach, which also considers the exposure to corruption.

In fiscal year 2022, we received no reports or other indications of cases of active corruption by LANXESS employees. Verified cases of LANXESS employees being bribed lead to appropriate disciplinary actions up to and including dismissal as well as consideration of further legal steps. In the reporting year, we received no reports or indications of such cases.

We also communicate our clear expectations for the prevention of corruption to our suppliers and service providers in our Business Partner Code of Conduct. It makes the clear demand that our suppliers must not engage in bribery, fraud or extortion. It is essential for us that they acknowledge the principles contained in the Business Partner Code of Conduct or have established their own comparable standards. If suppliers or service providers do not comply with these principles, this may lead to the termination of the contractual relationship.



## Employees

LANXESS works consistently to be a sustainable and enduringly successful chemicals company. Our success is based on the personal commitment of each individual employee and high-performing, diverse teams. Our goal is to enable our employees to shape their professional lives actively and to create a safe, productive and motivating environment. This makes us attractive to applicants of all ages and skill levels and enables us to counter demographic change and the shortage of skilled workers while also promoting a diverse workforce in which everybody feels included.

An HR strategy based on four pillars helps us to achieve our goal. We are continuously enhancing it in order to appropriately support our employees at all times in the diverse and sometimes complex change processes at LANXESS. In times of profound social and business transformation processes, change management is generally growing in importance. Another major driver of change is the consistent digitalization of our business processes. The continued M&A activities in the reporting year also required our employees to deal with organizational, cultural and personal changes.

### LANXESS HR Strategy



In times of constant change, a strong corporate culture is especially important. The motto for “Performance Culture Day 2022” was “We Win as a Team” – because we can only master the growing challenges together. The activities were intended to highlight the important role of diversity and inclusion, openness to other perspectives and feedback, and cross-divisional and cross-hierarchical communication (see page 51).

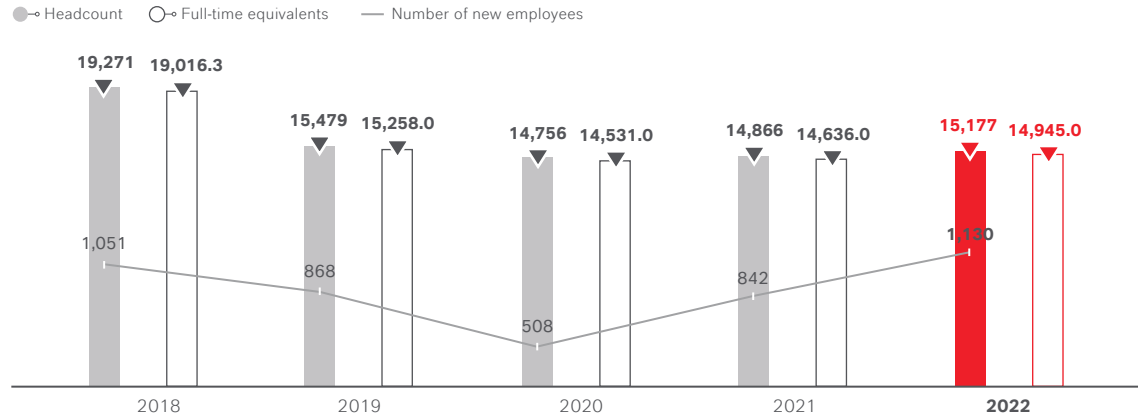
This communication is exemplified by the LANXESS women’s network WInX (Women Initiative LANXESS), which was established internationally in the reporting year after the successful pilot phase in Germany in 2021 (see also page 43). Health was another priority for HR work in 2022. Numerous activities and offerings were devoted to the topic online and offline (see also page 52).

Information on life and work at LANXESS can also be found in our “Working at LANXESS” Background Paper.





### Number of Employees



The figures for 2022 in this table and below include the High Performance Materials business unit. For 2019, the discontinued operations of the Leather business unit are included. All figures relate to the core workforce. The figures for 2018 include ARLANXEO.



### Diversity and inclusion

We value diversity and regard it as a strategic advantage. Therefore, we aim to enhance diversity at LANXESS and use its positive effects for our company and employees. A corporate culture that is open equally to all people helps us to become more innovative and efficient and to attract and retain promising talents. Recognizing and appreciating diversity is therefore ingrained in our values, our guiding principles as well as our leadership principles.



We continued to follow our strategic “Diversity & Inclusion” (D&I) concept for promoting diversity, equal opportunities and inclusion in 2022. We are working steadily to make



all HR processes D&I-compliant. We take a holistic view of D&I, focusing on aspects such as gender, nationality, age, disability and sexual orientation.

In the reporting year, we particularly campaigned to raise awareness of unconscious bias. For example, we initiated various learning opportunities that look at unconscious patterns of thought and offered “Unconscious Bias e-Learning” in various languages.

Our second “Global Diversity & Inclusion Day,” which we hosted in November to mark the International Day for Tolerance, was mainly about raising awareness of the needs of



employees with disabilities. The program included a talk by motivation expert Janis McDavid on the topic of inclusion.

### Ratio of Disabled Employees at German Companies

	2018	2019	2020	2021	2022
Ratio in %	5.7	5.9	6.2	6.2	6.8



Gender diversity remains an important focus topic for us – with the clear target of increasing the proportion of women in the company. In addition, the German Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector commits us



to set targets in Germany for aspects such as the proportion of women at the two management levels below the Board of Management and to determine the target date for attainment.

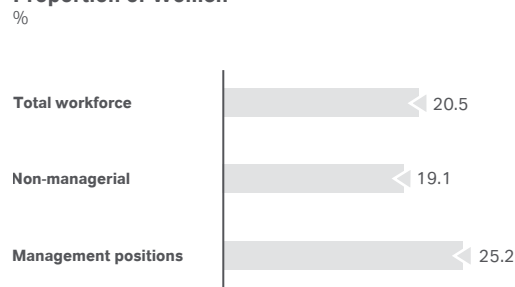


The targets set in 2017, which were supposed to be achieved by June 30, 2022, stipulated female representation of at least 15% on the first level below the Board of Management and 25% on the second level. Both targets were achieved: With female representation of 22.0% at the first management level and 25.2% at the second management level, we actually exceeded our own targets.

Dr. Stephanie Coßmann resigned as a member of the Board of Management and Labor Relations Director of LANXESS AG as of March 31, 2022, having been on the Board of Management since January 1, 2020. Contrary to the original target, which had already been achieved in the interim, the Board of Management therefore had no female members as of the reporting date on June 30, 2022. However, the company's Supervisory Board decided in November 2022 to appoint Frederique van Baarle as another female member of the Board of Management of LANXESS AG with effect from no later than April 1, 2023.

In April of the reporting year, the Board of Management adopted new targets for the proportion of women at the two management levels below the Board. By June 30,

### Proportion of Women



at least 30% by the end of 2030. At the end of 2022, the proportion of women in management was 25.2% (previous year: 24.0%).

Further D&I targets can be found in the targets table on page 18.

Networks can make an important contribution to the promotion of diversity, equal opportunities and inclusion. WInX – our global “Women Initiative LANXESS” – connects women LANXESS across national borders. As part of this initiative, participants were able to network at virtual, hybrid and in-person events around the world. With a “Male Ally Workshop,” the German women's network showed that the engagement of male employees is also important for gender diversity and equality. The workshop gave rise to the “HeForWInX” network group for men who are committed to supporting the women's network in the future.



2027, the proportion of female employees must therefore amount to at least 25% at the first level and 28% at the second level below the Board of Management.

We have also set further targets above and beyond the legal requirements: Among other things, we want the proportion of women in management positions to be

### Proportion of Women on the Board of Management and at the Top Management Levels

Proportion of women <sup>1)</sup>	2018	2019	2020	2021	2022 <sup>2)</sup>	Goal	Target date
First level below the Board of Management	13.8%	20.9%	16.7%	18.2%	22.5%	25%	June 30, 2027
Second level below the Board of Management	19.2%	25.1%	23.4%	25.7%	24.8%	28%	June 30, 2027
Board of Management (number of women)	0	0	1	1	0	– <sup>3)</sup>	June 30, 2027

1) Figures as of December 31 of the respective reporting year.

2) Year when new target was set.

3) The Second Act on Equal Participation of Men and Women in Management Positions applies here, according to a target is no longer required for the Board of Management and the statutory requirement applies instead.

The significant increase in the proportion of women at the first two management levels below the Board of Management in 2019 is partly due to a change in the functional reporting structure to our Chief Financial Officer, Michael Pontzen. The proportion of women decreased slightly in 2020 due to organizational changes



### Recruiting

In the reporting year, we again saw an intensification of the competition for talent in our core markets. The significant development toward an employees' market and the demographic challenges make recruiting an important strategic issue. We have therefore further reinforced our recruiting teams and focused on active sourcing. Specialized LANXESS recruitment teams work in the U.S., China, India and Europe. In order to approach interesting candidates in both an active and a targeted manner, we have our own pool of active sourcing specialists, with whom we largely replaced external HR service providers in the reporting year.

Our recruitment process is highly digitalized. The software platform covers all processes from onboarding to the signing of employment contracts. It helps to make approaching and acquiring new talent standardized, transparent and candidate-focused. In EMEA, a video application tool was also piloted in the reporting year.

We continue to invest in a clear employer brand in order to highlight the advantages of LANXESS as a global and socially responsible employer. Our employer brand centers on authenticity and diversity. We communicate this brand via social media, where we share a mix of company, product and HR information in order to spark enthusiasm for our company among talented people from various functions. In the reporting year, we ran over 40 social media campaigns.

### New Employees by Age Group, Gender and Region

	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		Total
Age group	f	m	f	m	f	m	f	m	f	m	
< 30	12	45	30	107	24	69	15	15	19	40	<b>376</b>
30–49	30	66	61	180	24	117	12	13	35	82	<b>620</b>
≥ 50	3	13	5	28	23	53			3	1	<b>129</b>
<b>Total</b>	<b>45</b>	<b>124</b>	<b>96</b>	<b>315</b>	<b>71</b>	<b>239</b>	<b>27</b>	<b>28</b>	<b>57</b>	<b>123</b>	<b>1,125</b>
<b>Region total</b>	<b>169</b>		<b>411</b>		<b>310</b>		<b>55</b>		<b>180</b>		
<b>%</b>											
Age group	f	m	f	m	f	m	f	m	f	m	
< 30	33.1	21.2	14.0	12.7	42.1	41.8	32.6	25.9	51.0	33.9	<b>21.0</b>
30–49	13.8	9.0	9.3	7.3	12.5	15.7	8.9	3.2	10.0	6.7	<b>8.7</b>
≥ 50	2.1	1.8	0.9	0.9	8.9	6.4			4.5	0.3	<b>2.1</b>
<b>Total</b>	<b>11.3</b>	<b>7.4</b>	<b>6.6</b>	<b>5.0</b>	<b>14.0</b>	<b>13.8</b>	<b>13.0</b>	<b>4.6</b>	<b>12.5</b>	<b>7.5</b>	<b>7.5</b>
<b>Region total</b>	<b>8.2</b>		<b>5.3</b>		<b>13.8</b>		<b>6.7</b>		<b>8.6</b>		

Disclosures apply to the core workforce not including conversion of temporary to permanent employees and acquisitions. The total in the table deviates slightly from the figure stated in the text because the table only includes employees of male or female gender. In 2022, we hired five people who indicated their gender as "other/undeclared/unknown." Including temporary employees, the number of new employees increases to 1,714 (all genders included).

Despite the difficult labor market situation, we thus filled a record number of vacancies in the reporting year. A total of 1,130 new employees joined the Group in the reporting year (1,714 including temporary employees). The new employees predominantly filled technical positions.

Our international graduate trainee program is a fundamental tool for securing talent in Germany. Exceptionally well qualified master's graduates are prepared for challenging

specialist and managerial tasks and can gather valuable experience in Germany and abroad. In addition to an engineering orientation, LANXESS also offers attractive areas of activity for economics graduates. Our young talent receive diverse practical learning opportunities as well as targeted training and opportunities for internal networking. In 2022, we acquired 21 new talents (10 women, 11 men) despite the challenging situation on the apprenticeship market.



### Vocational training

Training young people has always been hugely important to us, both in order to safeguard the company's future and as part of our social responsibility. Vocational training is the basis of our strategy of developing specialist staff for the German sites from within our own ranks.

It is our aim to retain at least 80% of our apprentices after successful completion of their training. We reached this target again in the reporting year with a retention ratio of 85% (previous year: 83%).

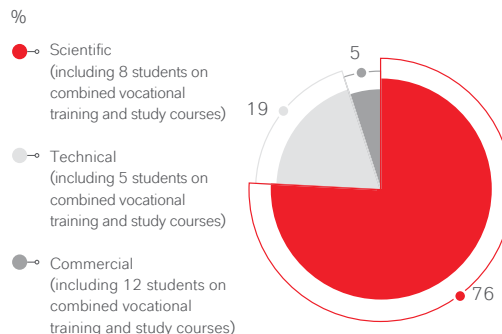
182 apprentices on eight technical, scientific and commercial career paths and young talent in seven dual-study programs started their apprenticeships at LANXESS Deutschland GmbH on September 1, 2022. The proportion of female career starters was 7% in the reporting year (previous year: 6%). Taking the new intake into account, 615 apprentices are employed at LANXESS Deutschland GmbH (as of December 31, 2022). The proportion of female apprentices across all years is around 7.5%. We invested around €22 million (previous year: €23 million) in the vocational training of young talent in 2022.

Training will remain a key pillar of our HR policy in the years ahead. We are importantly demonstrating this with new, modern offerings. For example, we initiated various special campaigns to recruit apprentices. Candidates were able to sample working in LANXESS workshops at the "Technik Check" event and then complete the hiring process within a day. For the first time in a pilot project in 2022, two apprentices were hired as part-time industrial



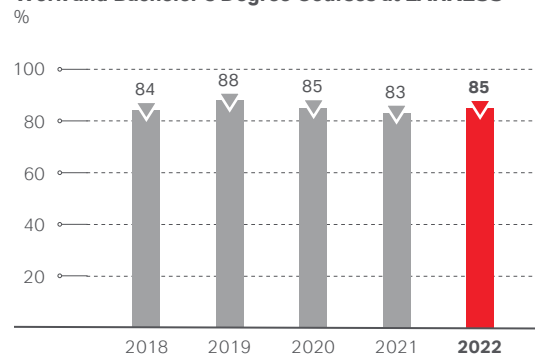
management assistants. This offering is aimed at people who cannot take on a full-time apprenticeship – e.g. because they have children or act as a relative's career. The apprenticeship can be completed at a reduced 30 hours a week, without the duration of the apprenticeship increasing.

#### Apprentices by Career Path<sup>1)</sup>



1) LANXESS in Germany

#### Hire Rate of Apprentices and Students on Combined Work and Bachelor's Degree Courses at LANXESS<sup>1)</sup>



1) LANXESS in Germany



1) This figure is the ratio of apprentices at LANXESS Deutschland. The number of LANXESS Deutschland employees undertaking an apprenticeship is expressed as a percentage of the core workforce of LANXESS Deutschland (employees with a permanent, full- or part-time employment contract) plus the apprentices of LANXESS Deutschland.

Outside Germany, we offer apprenticeship programs in several European countries, as well as Canada, Brazil and India, for example, in order to cover our requirement for young talent in those countries. In addition to our regular apprenticeship activities, we cooperated with the lochpe Foundation in Brazil for the second time. Through this cooperation, we again enabled ten young people from disadvantaged backgrounds to take part in a nine-month training course at our production site in Porto Feliz. In India, the government supports an apprenticeship program to give more young people the opportunity to acquire qualifications required to work in the chemical industry. Within this framework, a total of 30 apprentices worked for us at the LANXESS sites in Nagda and Jhagadia in the reporting year.



**15,177**  
LANXESS  
employees  
worldwide

### Strategic workforce planning

The increasing average age of our employees in conjunction with the scarcity of young talent in some regions means that the competition for qualified employees is growing fiercer. Therefore, we have been investing in our own apprenticeship and management trainee programs for years in order to cover our requirements for specialist staff chiefly from our own ranks in the future. We offer attractive opportunities development in order to increase retention among the young talent. The personnel conferences introduced in 2020 for the production and technology (P&T) workforce have become successfully established and a proven planning instrument. They take place annually and serve the purpose of strengthening rotations and development in operations in particular. In order to cater more closely to the personnel needs and challenges of P&T, various workstreams were launched in which HR and Business jointly devise solutions for talent acquisition, retention and development specifically in P&T.

In order to make the immense knowledge of our older employees available to subsequent generations, we successfully piloted a knowledge transfer program in 2021 and rolled it out in the reporting year. It aims to identify important departing knowledge carriers at an early stage, systematically record their often implicit knowledge, and ensure its structured transfer to subsequent generations – in both analog and digital format. The knowledge transfer program comprises various measures such as expert debriefings, learning tandems and a digital, plant-specific knowledge database. This “Plant Wiki+” was launched at a LANXESS plant for the first time in 2022 and is available to all employees of this plant as an intuitive reference work.

We use our global strategic HR planning process to simulate the long-term development of our global workforce. We use a planning tool to simulate the development of our workforce given various assumptions, from which we

derive our requirement for new staff. The analysis includes data on retirements as well as voluntary turnover, with the data used for the analysis varying country by country. Our aim is always to identify staff shortages at an early stage. We also engaged with other qualitative aspects in the reporting year. For example, there was a workshop in which managers from P&T discussed the skills that employees will need in the future in order to tailor our learning and development offerings accordingly.

[Further information on learning and development can be found on page 51–56.](#)



### Remuneration and benefits

Our remuneration policy offers fair and competitive remuneration worldwide, chiefly based on relevant external benchmarks, level of professional experience and quality of work, regardless of the gender of the employees. We regularly reassess the fixed annual salary of our non-pay-scale employees on the basis of these factors in our annual salary review. Salary increases for our pay-scale employees follow the applicable collective agreements. The remuneration ratio of women and men is reviewed regularly and analyzed including other factors.

#### Employees by Age Group, Gender and Region<sup>1)</sup>

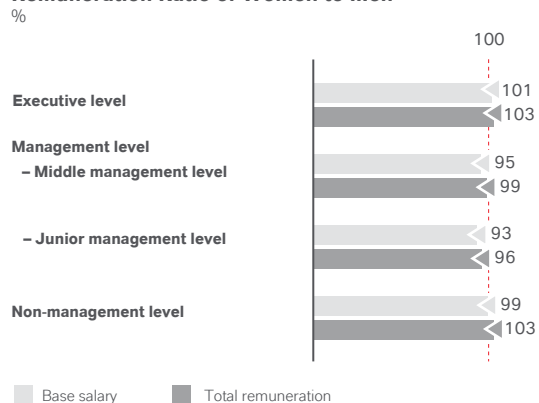
Age group	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		Total
	f	m	f	m	f	m	f	m	f	m	
<30	37	218	213	844	62	176	47	56	45	115	1,813
30–49	218	746	684	2,512	204	756	137	402	359	1,237	7,254
≥50	149	712	584	3,006	267	830	30	143	73	314	6,108
<b>Total</b>	<b>404</b>	<b>1,676</b>	<b>1,481</b>	<b>6,361</b>	<b>533</b>	<b>1,762</b>	<b>214</b>	<b>601</b>	<b>477</b>	<b>1,666</b>	<b>15,175</b>
<b>Region total</b>	<b>2,080</b>		<b>7,842</b>		<b>2,295</b>		<b>815</b>		<b>2,143</b>		

<sup>1)</sup> In total, we had 15,177 employees in the reporting year. The difference of two employees is because two employees indicated their gender as “other/undeclared/undefined.”



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### Remuneration Ratio of Women to Men



The difference between the average remuneration for men and women at LANXESS is less than  $\pm 7\%$  for all individual levels. These salary differences are influenced by further, non-gender-specific variables – such as professional experience, salary differences due to geography or function, or differing work histories. When the wage gap is broken down by age group – as a proxy variable for professional experience – the difference between men and women is even smaller. The clear goal of our HR policy is to have no differences in pay on the basis of gender. Our Diversity & Inclusion measures also contribute to this (see page 42).

As part of the transparent remuneration in line with market conditions, LANXESS offers its employees bonus systems geared toward the company’s long-term success. In total, 86% (previous year: 86%) of LANXESS employees worldwide participated in our variable compensation systems.

The central performance-based compensation component is the Annual Performance Payment (APP), which we provide above the pay scale and in most countries within the pay scale on top of fixed pay. This bonus payment is linked to our key controlling indicator, so requires the Group’s attainment of a defined EBITDA target. Further individual targets in areas such as safety and sustainability additionally apply to top management. In 2022, we shared around €136 million of our profits for fiscal year 2021 with our employees worldwide.

With the Individual Performance Payment (IPP), managers can also reward employees’ extraordinary individual achievements during the year in a prompt and unbureaucratic way. Around €11 million was awarded in fiscal year 2022, around €8 million of which in Germany. At present, around 84% of our employees worldwide are entitled to receive the IPP. In relation to this, they also receive a prompt assessment of their performance and their career prospects.

In addition, we offer a long-term incentive program for our managers in Germany. There are similar programs in the U.S. and India. The Long-Term Stock Performance Plan (LTSP) consists of four tranches commenced each year and tracks the performance of the LANXESS share compared with FTSEurofirst 300 Eurozone Chemicals Index, over a period of four years in each case. In addition, there is a Share Ownership Guideline (SOG) for the Board of Management and our top-level managers in order to emphasize trust in the strategy and long-term success of LANXESS (see “Compensation Report,” page 14). 100% of those eligible participated in the current LTSP program in 2022.

Another core element of our offering is the company pension plan for plugging potential gaps in provision in old age. The design of the company pension plan differs from country to country depending on the state pension system. LANXESS’s pension commitments often go beyond what is required by law. They are funded by employer and/or employee contributions. In Germany, employees can voluntarily increase their pension and receive an additional grant from LANXESS. 73% of employees participate in the supplementary component of the current pension plan. Other offerings facilitate the transition into retirement, such as the long-term account for pay-scale employees in Germany. The participation rate here remained at a high level of around 90%.



### Working conditions and benefits

In addition to fair monetary remuneration, flexible working conditions and benefits are becoming increasingly important. As components of total remuneration at LANXESS, they make a material contribution to the wellbeing and productivity of our workforce. It is important to us that the benefits granted support our corporate targets, values and culture and address the relevant needs of our employees. When designing these benefits, we often go further than the respective statutory framework. In addition, we always aim to account for individual needs and life situations in the best possible manner.

All services apply to our core workforce. Even so, some individual services in the regions may have differing structures and be locally adapted to the needs of our employees. Our core workforce includes all employees with a permanent full-time or part-time employment contract. As of December 31, 2022, this was 93% (previous year: 94%) of our total workforce worldwide.



In line with our office-based employees' desire for more flexible working and working-time models as well as greater transparency regarding existing options, we introduced and communicated global flexibility principles back in 2018 under the heading "Xwork – Flexible Work." A significant aspect of this flexibility for our office-based employees is the ability to work remotely. We laid the foundation for country-specific guidelines with a global statement on remote working adopted and released by the entire LANXESS leadership team in September 2021.

### LANXESS Employee Structure by Employment Type, Gender and Region

(also including employees on fixed-term contracts)<sup>1)</sup>

Contract	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		Total
	f	m	f	m	f	m	f	m	f	m	
Permanent contract	404	1,676	1,481	6,361	533	1,762	214	601	477	1,666	<b>15,175</b>
Full-time	339	1,554	992	5,065	526	1,762	214	601	471	1,666	<b>13,190</b>
Part-time	65	122	489	1,296	7	7			6		<b>1,985</b>
Temporary contract	23	35	139	721	6	10	26	28	15	51	<b>1,054</b>
Full-time	22	34	104	680	3	7	17	22	13	50	<b>952</b>
Part-time	1	1	35	41	3	3	9	6	2	1	<b>102</b>
<b>Total</b>	<b>427</b>	<b>1,711</b>	<b>1,620</b>	<b>7,082</b>	<b>539</b>	<b>1,772</b>	<b>240</b>	<b>629</b>	<b>492</b>	<b>1,717</b>	<b>16,229</b>

1) In total, we had 16,237 employees in the reporting year (including temporary employees). The difference of eight employees is because eight employees indicated their gender as "other/undeclared/undefined." In fiscal year 2022, we also employed a total of 122 temporary staff members (28 women, 93 men and one person "undeclared") at our German companies.



With the statement, we want to recognize the lessons learned from the coronavirus pandemic and the increased remote working of some of our employees during this time. We have seen that, while many tasks can be carried out at home, in particular creative activities and team interactions in the office are indispensable for our joint success and the welfare of our employees. In our view, therefore, an average of up to eight days of remote working per month in addition to working in the office is compatible with our business interests – providing, of course, that the tasks are suitable for remote working. Guidelines to this effect were adopted in the U.S. and Great Britain, among other countries, in 2021. In 2022, additional countries (e.g. India and CEE) adjusted their guidelines on remote working on the basis of the global statement. Countries in which no LANXESS guidelines on remote



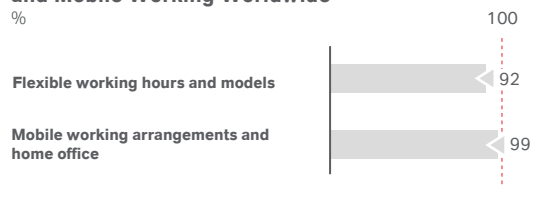
working previously existed, such as Korea and Australia, have also published internal guidelines.

The "flexitime" model derived for Germany from the Xwork principles aims to enable employees in senior management to work part-time in an intelligent way. In the Flexi-95 model, the level of employment is reduced to 95% with a corresponding adjustment to remuneration, meaning that a full-time worker is entitled to 13 extra days off per year. Corresponding models with levels of employment of 90% and 85% are also possible. Flexitime has been available to all non-pay-scale employees since the start of 2021. In 2022, there were 179 participants, of which 49 in senior management.



These and other measures count toward our goal of deriving and implementing specific guidelines and corresponding models for flexible working from our global “Xwork” principles in 95% of all countries in which we operate by the end of 2022. At the end of 2022, the coverage ratio was 96% (previous year: 89%), which means we have achieved our goal.

### Options for Flexible Working Hours and Mobile Working Worldwide

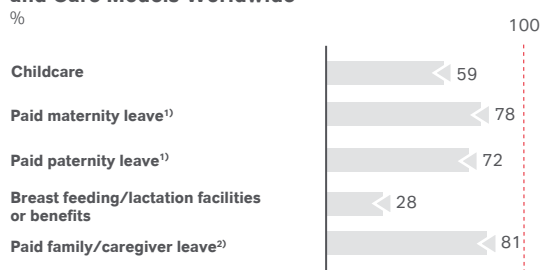


Work/life balance has become even more important under the persistently difficult conditions of the coronavirus pandemic. In 2022, we therefore made our employees in Germany a number of new offers regarding childcare, such as two additional daycare center locations. A total of 7% of the workforce in Germany aged between 20 and 40 were on parental leave for a time. Of this figure, 59% were fathers. 99% of the employees who ended a parental leave period in 2022 returned to a job at LANXESS, 97% of which still worked in the company at the end of 2022.

The legally defined framework for maternity rights and parental leave taken for granted in Germany and similar models in the European Union are by no means standard

worldwide. Therefore, at our sites outside Europe, we are assessing whether we can introduce or expand country specific models for our employees. In Brazil and the U.S., for example, we offer parental leave programs that go beyond the respective legal requirements and allow our employees to spend time with their children on full pay.

### Options for Childcare, Maternity/Paternity Leave and Care Models Worldwide



1) Beyond legal requirements.  
2) Besides parental leave.

Coverage is shown in percent for each initiative with regard to the countries and the total number of employees.

Against a backdrop of demographic change, care is a major issue in Germany. The centerpiece of the LANXESS care model is caregiver leave, which allows our employees to reduce their working hours by more than their pay during the care period and to work off the hours commensurate with the pay they received after their return. Caregiver leave and time off have been used by more than 100 employees in Germany since the LANXESS care model was introduced. In addition, the supplementary long-term care insurance “CareFlex” was launched in Germany in

mid-2021. We thus offer our pay-scale employees additional protection against the risks and strains that arise for those affected and their families when care is required but are not covered by statutory long-term care insurance. The costs of the additional insurance cover are borne entirely by LANXESS. Since the beginning of 2022, CareFlex has also been available to our managerial employees. The support offerings for employees were presented again during “Workplace Health and Safety Week” and also promoted to the workforce during “Mental Health Week.”

### Commitment and loyalty

Committed and motivated employees are the key to long-term corporate success. Accordingly, we pay special attention to encouraging the commitment of our employees. Good management helps here, as do personal development prospects and company values with which the employees can identify. All these factors shape the LANXESS corporate culture, which we actively strengthen and develop with regard to the constant new challenges in our markets.

Since 2021, internally trained culture coaches have made an important contribution here. They start and supervise cultural initiatives in their own area and can be involved in major change processes. Regular performance culture touchpoints serve communication on cultural issues. For example, the cross-location Performance Culture Network in Germany meets online once a month for a critical discussion of culture issues.

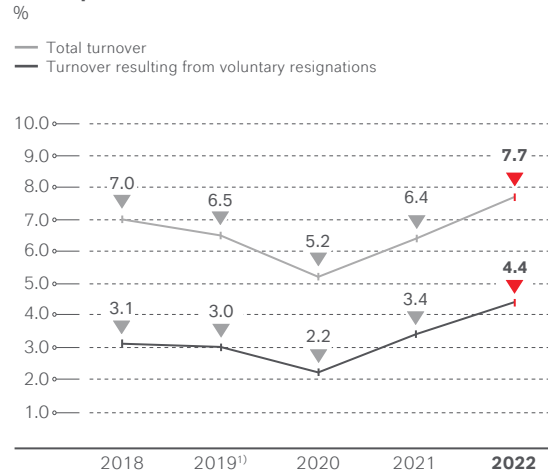






Regular and structured feedback is another important element of our corporate culture. To this end, we use different survey formats to allow feedback relating to the satisfaction and commitment of the various employee groups. Among other things, we regularly conduct Group-wide surveys – most recently in 2020. In the reporting year, we carried out surveys in several European countries as well as in Canada, India, China and Brazil.

### Development of Turnover Over Time



<sup>1)</sup> The turnover rate is the sum of departures (from the Group) in the last twelve months divided by the average of the headcounts at the end of the last four quarters. It therefore includes employer- and employee-initiated departures as well as retirement. Since fiscal year 2019, temporary absences, e.g. due to parental leave or lengthy illness, are no longer counted as departures.



### Early Turnover Resulting from Voluntary Resignations by Age Group, Gender and Region

Age group	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		Total	
	f	m	f	m	f	m	f	m	f	m	%	Abs.
< 30	5.5	4.2	2.3	3.1	10.5	9.7	6.5	10.3	8.1	5.1	4.6	82
30–49	5.1	3.7	0.5	0.7	3.6	4.2	3.0	0.5	4.0	1.5	1.9	134
≥ 50		1.2		0.2	1.9	1.6				0.3	0.6	34
<b>Total</b>	<b>3.3</b>	<b>2.7</b>	<b>0.5</b>	<b>0.8</b>	<b>3.5</b>	<b>3.5</b>	<b>3.4</b>	<b>1.3</b>	<b>3.7</b>	<b>1.5</b>	<b>1.7</b>	<b>250</b>
<b>Region total</b>	<b>2.8</b>		<b>0.7</b>		<b>3.5</b>		<b>1.8</b>		<b>2.0</b>			
<b>Region total (absolute)</b>	<b>58</b>		<b>57</b>		<b>78</b>		<b>15</b>		<b>42</b>			

Early turnover: percentage of employees who left our company of their own accord within three years of being hired.

### Turnover Resulting from Voluntary Resignations by Age Group, Gender and Region

Age group	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		Total	
	f	m	f	m	f	m	f	m	f	m	%	Abs.
< 30	11.0	6.6	4.7	7.6	19.3	14.5	8.7	12.1	18.8	11.9	8.9	159
30–49	12.9	7.5	3.3	3.2	9.9	9.4	6.7	1.5	7.4	4.6	5.2	370
≥ 50	4.1	3.9	2.0	1.0	5.0	3.9		0.7	1.5	1.6	2.1	128
<b>Total</b>	<b>9.5</b>	<b>5.8</b>	<b>3.0</b>	<b>2.7</b>	<b>8.5</b>	<b>7.3</b>	<b>6.2</b>	<b>2.3</b>	<b>7.5</b>	<b>4.5</b>	<b>4.4</b>	<b>657</b>
<b>Region total</b>	<b>6.5</b>		<b>2.8</b>		<b>7.5</b>		<b>3.3</b>		<b>5.2</b>			
<b>Region total (absolute)</b>	<b>135</b>		<b>217</b>		<b>169</b>		<b>27</b>		<b>109</b>			

We are also seeing significantly increasing interest among our workforce in health-related offerings and internal networks as well as in the opportunity to get involved for the environment and society within the company. Accordingly, we have further expanded our health-related

offerings and flexible working options around the world. In the past fiscal year, we also offered our employees new networks and, at our Performance Culture Days, the opportunity to play a role in wider society, e.g. via targeted, local environmental campaigns (see pages 49, 53 and 54).



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The turnover rate on the basis of resignations is an important indicator of our employees' commitment. Our goal is to continuously keep this ratio below 3.5% until the end of 2023. In the reporting year, the global voluntary turnover rate was 4.4% (previous year: 3.4%), meaning that we unfortunately missed our target for this year. The retention of employees, especially talented ones, is a growing challenge, as the labor market is clearly becoming an employees' market. In terms of HR strategy, it is therefore increasingly important to keep specialist staff within the company. Accordingly, we are also intensifying our internal employer branding, for example by tailoring it individually to the different age groups in the company. We also inspire a strong sense of belonging among our workforce with various opportunities for internal networking, which we are increasing in a targeted manner.

In Germany, the voluntary turnover rate was 2.8% (previous year: 1.8%). The percentage of employees who left our company of their own accord within three years of being hired (early turnover) stood at an average of 1.7% worldwide in the reporting year (previous year: 1.3%).

We rate our performance in relevant rankings and competitions as a further sign of our employees' satisfaction and the attraction of LANXESS as an employer. In Brazil, LANXESS was recognized as the best employer in the chemical and petrochemical industry for the third time in a row, while our Indian subsidiary received the prestigious "Great Place to Work" certification and the Golden Peacock HR Excellence Award. In China, we were recognized as a top employer for our HR work.

**Total Turnover by Age Group, Gender and Region**

Age group	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		Total
	f	m	f	m	f	m	f	m	f	m	
<30	6	16	12	68	12	30	4	8	7	17	<b>180</b>
30-49	30	61	24	88	24	94	9	12	31	66	<b>439</b>
≥50	10	69	41	241	28	103	1	10	4	26	<b>533</b>
<b>Total</b>	<b>46</b>	<b>146</b>	<b>77</b>	<b>397</b>	<b>64</b>	<b>227</b>	<b>14</b>	<b>30</b>	<b>42</b>	<b>109</b>	<b>1,152</b>
<b>%</b>											
Age group	f	m	f	m	f	m	f	m	f	m	Total
<30	16.6	7.5	5.6	8.1	21.1	18.2	8.7	13.8	18.8	14.4	<b>10.1</b>
30-49	13.8	8.3	3.6	3.6	12.5	12.6	6.7	3.0	8.8	5.4	<b>6.1</b>
≥50	6.9	9.5	7.0	8.0	10.8	12.5	3.6	6.6	6.0	8.5	<b>8.7</b>
<b>Total</b>	<b>11.5</b>	<b>8.7</b>	<b>5.3</b>	<b>6.3</b>	<b>12.6</b>	<b>13.1</b>	<b>6.7</b>	<b>4.9</b>	<b>9.2</b>	<b>6.6</b>	<b>7.7</b>
<b>Region total</b>	<b>9.3</b>		<b>6.1</b>		<b>13.0</b>		<b>5.4</b>		<b>7.2</b>		

Furthermore, we won the HR Excellence Award for our knowledge management concept (see page 46) in the reporting year.

**Employee development and talent management**

Only by constantly investing in training our employees and imparting clear, globally binding values and standards can we as a company keep on using the opportunities of changing markets successfully. Wide-ranging leadership and HR development tools enable and motivate our employees to act on the basis of our values, rethink issues, implement them quickly and devise solutions in a team.

In 2021, our priorities in Learning & Development lay in the virtualization of our existing offerings and in the introduction of further digital learning opportunities in

order to ensure our employees' continued development even during the pandemic. In 2022, we carried out some training face-to-face again, but also continued to develop virtual formats. The experience of the last few years has shown us that hybrid formats yield the best results. After its successful launch in 2021, our digital learning platform "LinkedIn Learning" was rolled out internationally in the reporting year. This means that our employees now benefit from more than 18,000 additional digital learning opportunities for their professional and interdisciplinary development and the strengthening of future skills.

Globally, more than 95% of our workforce received training, including both basic and safety training, as well as further education to further their careers and skills in 2022. On average, our employees again received at least 15 hours of training.



We also virtualized our leadership training and were thus able to provide it unchanged at times when physical meetings in larger groups were practically impossible. The aim of the programs is to embed our leadership principles more deeply worldwide and to strengthen our leadership culture. Depending on the experience of the participants, basic leadership techniques are conveyed, refreshed and translated into individual measures. Since management practice differs depending on the country and cultural environment, our training programs also take cultural differences into account and include the requirements of digital management.



With our global, cross-divisional and cross-hierarchical “compass,” “eXplorer” and “navigator” talent programs, we support particularly high-performing employees, retain them within the company and identify suitable successors for key positions at an early stage. “Compass” for employees at the start of their career offers guidance for their future career path. The format encourages practical development measures. The core element is a Development Center. “eXplorer” is aimed at employees who have the potential to develop toward major leadership roles at LANXESS in the next few years. Key topics include dealing with complexity, new forms of collaboration and digital and agile leadership principles. In 2022, around 50 colleagues from twelve countries met at the “eXplorer Summit” in Cologne to learn and network together. The “navigator” program is aimed at managers with the potential to lead a business unit or Group function.



Our commitment to increasing diversity at LANXESS is reflected in a specific target for the composition of the three talent programs. Every year, the programs’ participants should be at least 30% female and 40% non-German. With a total of 134 participants in 2022, the proportions amounted to 28% (previous year: 25%) female and 55% (previous year: 60%) non-German participants (because the programs can last for up to 18 months, double counting cannot be ruled out). We have therefore exceeded our target regarding intercultural diversity, while missing the target for gender equality, although we improved year-on-year. In order to achieve the 30% mark in terms of equality in 2023, we are planning additional measures. These include offerings especially for women in the areas of training, coaching, mentoring and networking and various campaigns to raise awareness of gender equality. When it comes to nominating talent, we will also make sure to identify enough female candidates.

International deployments are another key component of our systematic HR development. At the end of 2022, 39 employees – i. e. around 1% of our specialist and managerial staff – were deployed outside their contractual country as expatriates. Since the middle of this year, we have also offered stays abroad of up to six months as a development tool in addition to our existing deployment programs. We thus intend to make deployments available to a greater number of employees.

It remains our aim to build up local management with specialist knowledge and expertise and assign challenging tasks to suitable employees at our international sites. At sites outside Germany, 88% of our leadership positions are currently held by local employees.

**Occupational health and safety**

Our occupational health management (OHM) aims to create a safe and healthy working environment, to raise all employees’ awareness of their own health and to motivate them to act on their own initiative and adopt healthy behaviors in their professional and private lives.

To mark the World Day for Safety and Health at Work in April 2022, we organized a series of health-related activities around the world, including presentations on topics such as stress management, regeneration and sleep, a cooking course for healthy nutrition, and ergonomics training. In addition, the health teams adopted global health principles as an integral part of the LANXESS corporate culture. At the same time, internal communication campaigns, videos with case studies and a dedicated intranet page with contact details and offers were also launched.

Mental health was another priority in 2022. There was therefore a global mental health week at the beginning of October, during which employees were able to try out offerings such as business yoga and breathing exercises.



In Germany, occupational health management (OHM) works in three action areas:

- › Company integration management (CIM) for employees with long-term illnesses
- › Division-specific OHM with structured management approach for the respective plants and departments
- › Occupational health promotion with offerings for all employees

All three action areas were worked on systematically in the reporting year and strengthened in line with the company's overarching health goals. In company integration management, cooperation began with an external service provider for case management, aiming to uniform quality standards at all LANXESS locations and to provide the growing number of entitled employees with professional advice and permanent reintegration soon after recovery.

In 2022, strengthening the division-specific OHM was a particular priority. In the first year, three groups with a total of around 270 employees took part in the new, targeted program. It was aimed primarily at prevention and is intended systematically embed the improvement of health-promoting working conditions in the divisions. To this end, the current situation in the individual divisions was analyzed with the managers and employees, internal health groups established, employees trained as health promoters and initial plant-specific health measures implemented, e.g. improved ergonomics and improved stress management at the workplace.

In occupational health promotion, the priorities in 2022 were in the areas of "exercise," "mental health and addiction at the workplace" and "sleep/regeneration."

We also offer our workforce wide-ranging measures to promote health and wellbeing at our international sites. In addition to the physical aspects, the topic of mental health is continuously growing in importance. Findings from neuroscience show that mindfulness-based stress reduction can protect against the effects of chronic stress and improve wellbeing as well as teamwork. Mindfulness is likewise of great importance for the safety culture. Since February 2021, we have therefore offered our employees worldwide the global "mindful@LXS program" as an online mindfulness program. In the reporting year, the program was also adapted to the needs and the shift scheduling of the plants and piloted. Many teams were also individually supported with mindfulness-based workshops. Once again, there was also a wide range of health-related activities in the regions. For example, India organized a "stepathon challenge," mediation workshops and several dialog formats with regard to physical and mental health.

We address the topic of occupational safety with our global safety initiative Xact. It pursues the goal of gradually lifting the safety culture of LANXESS to a higher level. Starting with top management, all employees are expected to work together to improve safety in the Group. We are doing this because we firmly believe that all industrial accidents are avoidable. As a specific target for occupational safety, we



aim to reduce the lost time injury frequency rate (LTIFR, known as MAQ ["accidents per million hours worked"] in Germany) by more than half by the end of 2025 compared to the reference year of 2016 (LTIFR 2.0).

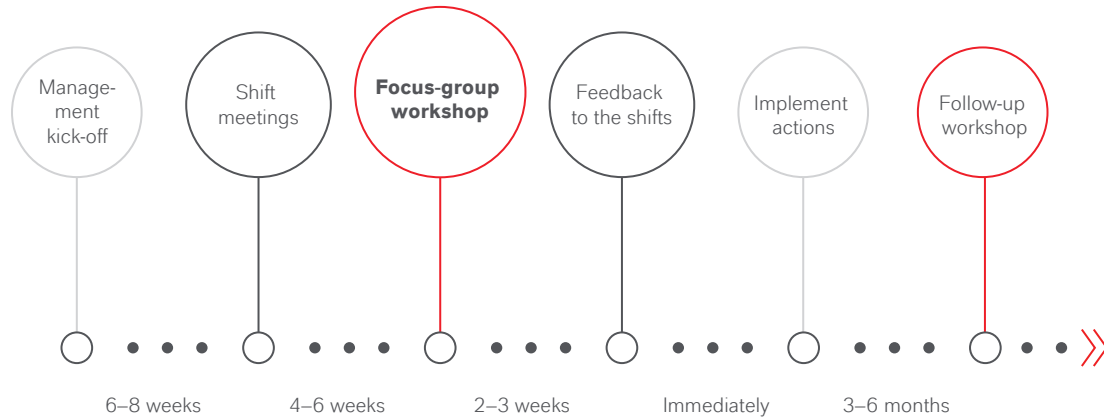
As ever, the work of the Xact team is focused on stabilizing and fostering a positive culture of safety and greater alignment toward behavior-based safety. To this end, we developed a systematic process called the Safety Culture Development (SCD) Process, which was launched globally in 2019.



The six-stage process is centered on a full-day, focus group workshop led by the Xact team. In this workshop, representatives of all hierarchy levels engage in an in-depth discussion on the safety culture in their own plant. In this way, we can identify the individual strengths and weaknesses of the respective plant and initiate targeted improvements. To boost sustainability, a follow-up workshop a few months later discusses how to implement measures at the plant. The Xact team collates and evaluates the results centrally in order to determine global, regional or department-specific trends. Internal communication, training and personal attitudes to safety are the aspects with the greatest potential for improvement.



**Our Safety Culture Development Process**



By the end of 2022, 59 of the roughly planned 140 focus-group workshops had been carried out in Germany, Belgium, Brazil, the U.S. and China. Thanks to strict hygiene precautions, we were able to carry out some of the events in person again. We will continue them in 2023 and roll them out to other regions, e.g. Italy.

An interim evaluation shows that our employees appreciate the fact that they can contribute personally, receive direct feedback from their colleagues and managers and actively help to shape the safety culture in their own area of activity. The greatest potential for improvement is in the



cultural reasons for unsafe behavior. The characteristics that define our LANXESS safety culture play a fundamental role here. These are:

- › Safety leadership by example
- › Attitude to safety/taking responsibility
- › Learning and sharing/error culture
- › Positive reinforcement of safe behavior
- › Communication/feedback culture

The Xact initiative has summarized these cornerstones in a guidebook called "How Can Safety Culture Be Made



Visible?". It was introduced worldwide in six languages in early 2021 and is a key element of our communication about safety. In order to make the content of the Xact guidebook more visual, the global Xact-Community has developed digital flashcards in which employees present their own examples and experiences in video statements (or video messages). Knowledge is imparted and consolidated in interactive exercises. Three of a total of six digital flashcards have already been created and provided to employees in eleven languages on local e-learning platforms. More than 6,000 employees have already used this learning opportunity.

Active, ongoing communication is a top priority for us when it comes to matters relating to safety. The Xact pulse-check survey that we conducted among all LANXESS employees again in 2022 is an important tool here. It gives them an opportunity to express their personal experience of key aspects of safety at LANXESS. One aim of the anonymous survey is to determine whether all employees receive positive feedback regarding safe work – as intended – and whether supervisors set an example when it comes to the LANXESS safety culture.

Despite the strain of the pandemic, 44% of the workforce took part in the survey in the past fiscal year, for the first time including the colleagues from the new Flavors & Fragrances business unit. In addition to questions about the content of the Xact initiative, focal points in the reporting year included leadership by example and the avoid



ability of accidents. The results differed, in some cases substantially, depending on the region, organizational unit and hierarchy level. The question “Do you have enough time to work safely?” was met with broad assent globally and across all areas and hierarchy levels. 70% of the participants responded with “Yes, always” and 27% with “Yes, mostly.” The majority of responses on the attitude to safety and lived safety culture at LANXESS were also positive. Topics in need of improvement included leadership by example, stress, and the implementation of HSE processes. Asked whether supervisors give positive feedback for safe work, 16% responded with “never” or “rarely.” The figure in Germany was above average at 31%. The survey results with more than 420 comments give us a good overview of the employees’ opinions.

In accordance with the safety guidelines at LANXESS, every organizational unit, e.g. a plant, is required to carry out regular risk assessments and define suitable measures to protect against potential hazards. Employees are trained accordingly, and the training and the measures are checked regularly. We thus meet the legal requirements and protect employees, contractual partners and visitors to the plant alike.

We also want to reach an improved shared understanding of occupational safety with service providers who perform technical services for us, as well as including them in our safety culture. For instance, our partners must demonstrate that they maintain their own safety management system and have carried out all safety training that is required of all employees who work for us. Regardless of



this, we provide personal safety briefings for employees of our partner companies.

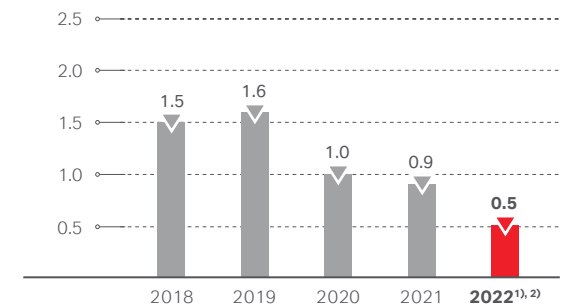
Indicators for the assessment of occupational safety at LANXESS are the recordable incident rate (RIR: number of incidents per 200,000 working hours that have to be reported according to the Occupational Safety and Health Administration [OSHA]) and the lost time injury frequency rate (LTIFR: accidents per million hours worked) for accidents with days lost. The LTIFR in 2022 was 0.5 (as of January 26, 2023) and thus lower than the already low level of the previous year and again within our medium-term target of < 1.0.

As in previous years, no fatal accidents occurred in the reporting period. The RIR, which also includes accidents with no days lost in accordance with OSHA rules, was 0.5 (as of January 26, 2023) in 2022 and thus below the previous year’s level of 0.7. Companies have been taking occupational safety increasingly seriously in recent years, so the number of reports of serious accidents has been declining continuously.

All accidents, including significant near-misses, are systematically analyzed with regard to their cause and possible preventive measures. The results of these investigations are, for instance, incorporated into safety updates that are made available to the entire organization. We regard the sharp fall in the LTIFR in recent years as evidence that the structured transfer of knowledge and the many occupational safety measures at LANXESS are having a positive effect.

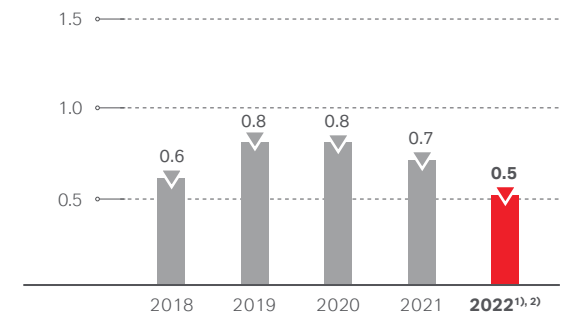


**Work-Related Injuries to LANXESS Employees Resulting in Absence from Work (LTIFR)**



1) Continuing operations  
2) LANXESS total: 0.6

**Work-Related Injuries to LANXESS Employees that are Reportable in Accordance with OSHA Regulations (RIR)**



1) Continuing operations  
2) LANXESS total: 0.6



**CEO Safety Award**

For us as a chemicals company, the safety of our employees, plants and processes is the utmost priority. The international CEO Safety Award, which was bestowed for the fourth time in the reporting year, recognizes particularly successful initiatives and contributions to occupational safety at LANXESS. An important criterion for the award is how easily the submitted contribution can be implemented and transferred to other sites. For example, we are not only anchoring occupational safety even deeper in the minds of all employees, but also illustrating how important it is to learn from each other at LANXESS.

In 2022, a plant team from the Lubricant Additives business unit in West Hill, Canada, received the award for its improvement of the site's organization ("Fortifying the Facility"). The team worked for two years with no accidents with days lost, increased the production volumes considerably

and improved employee retention. The program was started because the high turnover of young colleagues and a growing knowledge gap between experienced and new employees at West Hill was resulting in declining production volumes and potential safety risks. The program included the complete overhaul of the plant's outdated documentation, the introduction of new tools, the training of experienced colleagues as coaches, the redesign of the employee onboarding process, and the communication of the LANXESS performance culture and the Xact safety culture at the site.

In addition, teams from the High Performance Materials business unit from Uerdingen, Germany, and the Material Protection Products team in Jarinu, Brazil, were virtually congratulated as finalists by CEO Matthias Zachert for the "Knowledge is Power/ Make it Safe" project and the "3D Scans for Safety Audits" project, respectively.

**Employee codetermination**

Dialog with chemicals social partners – works councils, trade unions and employer associations alike – as a principle of consultation in action is the global practice at LANXESS. As part of this, we also respect the freedom of association of our employees in accordance with the International Labour Organization (ILO) and the Global Compact and comply with collective bargaining agreements. We regularly seek dialog with employee

representative committees in Germany, Europe and worldwide, provide information on our corporate objectives and involve them in organizational changes at an early stage.

In 2020, we came to an agreement with the Central Works Council and the German Mining, Chemical and Energy Industrial Union (IGBCE) on jointly designing the work of the future. A key element of the agreement is the regular communication between the parties on the design of

the digitalization process at LANXESS. This dialog was continued in 2022, with regard to both the challenging economic situation and the further digitalization and introduction of new IT systems.

In the reporting year, the workforce in Germany elected their representatives for the Works Council and the Managerial Employees' Committee as scheduled. The large number of re-elected candidates guarantees continuity in committee work.

Fair dealings with employee representatives and trade unions are also a top priority for us outside Europe. At all our sites, we comply with International Labour Organization (ILO) standards with respect to our employees' freedom of association. Where possible and in compliance with local laws and regulations, this includes regular exchange between local management and trade unions as well as binding, collectively agreed-upon regulations on remuneration and working conditions.

**Proportion of Employees Covered by Collective Bargaining Agreements**





## SUSTAINABLE PRODUCTS

### Product responsibility

We see the constant improvement of product safety, which is enshrined as a core aspect of our corporate policy and in the Group-wide management system, as part of our product responsibility. We have undertaken to avoid risks for humans and the environment across all phases of the product lifecycle through safe research, manufacturing, storage, logistics, use and disposal.

With regard to the safety of our products, our ambitions exceed the legal requirements in many areas. Examples of this include the creation of safety data sheets even for non-hazardous substances and our roadmap for a sustainable product portfolio. Our “Product Safety Management at LANXESS” guideline stipulates how product responsibility is to be implemented throughout the Group and ensures collaboration between all of the parties involved. The Production, Technology, Safety & Environment (PTSE) Group function ensures that laws and regulations are complied with, resulting obligations and preventive measures are derived and their effective implementation monitored.

We classify and label hazardous products (substances and mixtures) in packaged form in accordance with hazardous

substances legislation before they are used or brought to market. We regularly adapt our electronic safety data system to take account of new features in GHS (Globally Harmonized System of Classification and Labeling of Chemicals) legislation in the different countries. We thus ensure that risks for humans and the environment are avoided in transport, storage, use and disposal.

Complying with global chemicals control regulations across the whole value chain is an essential prerequisite for the sale ability of our chemicals and chemical products. We go to great effort to ensure comprehensive compliance both for our own products and together with our partners for their products, which are our raw materials, for example. Particularly in the case of consumer applications, we especially make sure that our products meet high national and international standards, certificates, and quality seals.

Materials that we produce in the EU or import into the EU in quantities of more than one metric ton per year are registered, listed and evaluated in accordance with the REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) Regulation. We conduct workshops for our REACH officers in the business units at least twice a year in order to present new developments, promote understanding of the importance of product responsibility and

guarantee legal conduct. The REACH requirements have been continuously updated since 2007, so it is necessary to regularly review and revise the registration dossiers. In this context, we support the voluntary Action Plan of the European Chemical Industry Council CEFIC (Conseil Européen des Fédérations de l'Industrie Chimique) and have undertaken to review and – if necessary – update our REACH registration dossiers by 2026 at the latest. Moreover, we welcome the opportunity provided by the European Commission to contribute to the planned REACH revision in a public consultation.

[A statement on the REACH revision can be found here.](#)

The safe use of our products, along both our own and the downstream value chains, is another essential part of our product responsibility. Our business units help their customers to use our products safely and in an eco-friendly way by way of training and advice and shed light on the risks associated with use. In our electronic safety data system, we provide our customers with safety data sheets and extended safety data sheets for all substances and products handled regularly – in some cases including intermediates.





## Portfolio development

line with societal trends and needs, we aim to constantly improve the sustainability performance of our product portfolio, to identify critical substances in products and to substitute them or develop safe alternatives.

For the management and long-term development of our product portfolio, we follow an approach with three perspectives. This is based on the LANXESS Product Sustainability Monitor. Using this analytical tool, we identify products that are produced in a particularly sustainable manner as well as products where we see potential for improvement, and have been increasing the sustainability performance of our portfolio for years.

The second significant perspective is the product carbon footprint (PCF) and the circular potential of our products. Here, it is important to understand and account for the

upstream value chain as well as our own production. Our aim is to continuously reduce our products' influence on the climate, to use sustainable raw materials and to ensure that our products can be recycled.

As a third perspective, we look at the benefit of our products in their application. A sustainable world needs not only sustainably manufactured products but also solutions for new concepts such as in the areas of climate protection or circular economy. For example, additives make a significant contribution to extending the useful life of products or enabling materials to be recycled.

In the future, the EU taxonomy will be an additional, independent perspective. At present, for the chemical industry it concentrates chiefly on the identification of activities associated with particularly high carbon emissions, i.e. on high-volume basic chemicals and plastic products. In

this respect, only a small portion of the LANXESS portfolio is relevant here.

## Safe and sustainable products

Using the LANXESS Product Sustainability Monitor, we divide our portfolio into four categories:

- › **Energizers:** Products in this category offer outstanding sustainability performance. They meet our ambitious requirements for all criteria. They have no intrinsic properties that give cause for concern. Energizers are manufactured with a very low to low environmental impact. These products contribute to at least one SDG and are experiencing increasing demand
- › **Performers:** Products that are sustainable according to the current state of the art. They meet our ambitious sustainability requirements for many criteria. Performers are manufactured with a low to medium environmental impact and have a benefit to society.
- › **Transitioners:** Products that do not yet fulfill all LANXESS sustainability requirements. We monitor these products and actively steer them by way of improvement measures and targeted innovation, for example to reduce their environmental impact and make these products more sustainable.

### LANXESS Product Portfolio

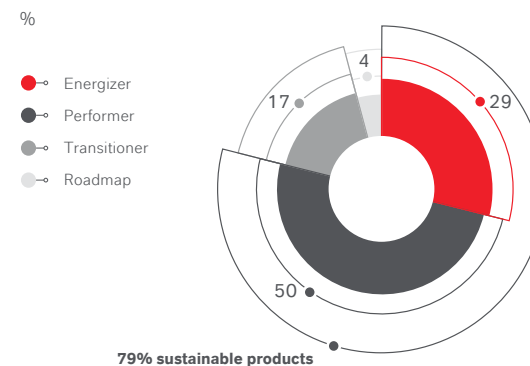




› **Roadmap:** This category covers products with serious sustainability concerns, namely chemical end products with more than 0.1% by mass of substances with the properties of substances of very high concern (SVHC). We manage these products in our roadmap process, in which we examine in particular whether critical substances in the respective chemical end products could be replaced with safe and sustainable alternatives. We do not market new chemical end products in this category.

In 2022, we already generated 79% of our total sales with products that fulfill our sustainability requirements. Only 21% of our sales were attributable to products that did not (yet) completely fulfill our sustainability requirements. We generate only around 4% of our sales with roadmap products. The change in the shares is primarily due to the fact that High Performance Materials (HPM) is no longer reported under continuing operations. By 2023, we want to develop a specific action plan for all these products. As of the 2022 reporting date, the degree of target attainment was already 70% – we are therefore on track to achieve our target.

**LANXESS Product Portfolio 2022**



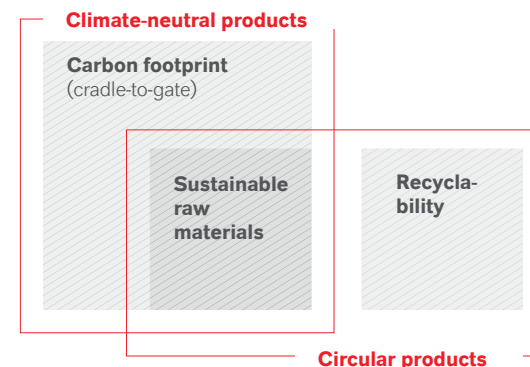
**Criteria of the LANXESS Product Sustainability Monitor**

	Environmental	Social	Economical
Climate change	🚫	🚫	
Water use and water risk	🚫	🚫	
Waste efficiency	🚫		
Environmental risk	🚫		
Human health risk		🚫	
Support of the 2030 Agenda (product benefit)	🚫	🚫	
Demand trend			📈
Profitability			📈
Legislative and reputational risk			📈

**Climate-neutral and circular products**

We want to help transform the entire value creation system into a resource-efficient and climate-neutral society. On the road to climate-neutral and circular products, we are focusing on three partially overlapping action areas.

**Three Elements for Climate-Neutral and Circular Products**





When selecting products, knowledge about the carbon footprint is becoming increasingly important – both for us and for our customers. Our aim is to continuously reduce the PCF and thus our products’ negative impact on the climate. In a cradle-to-gate assessment, the PCF results from:

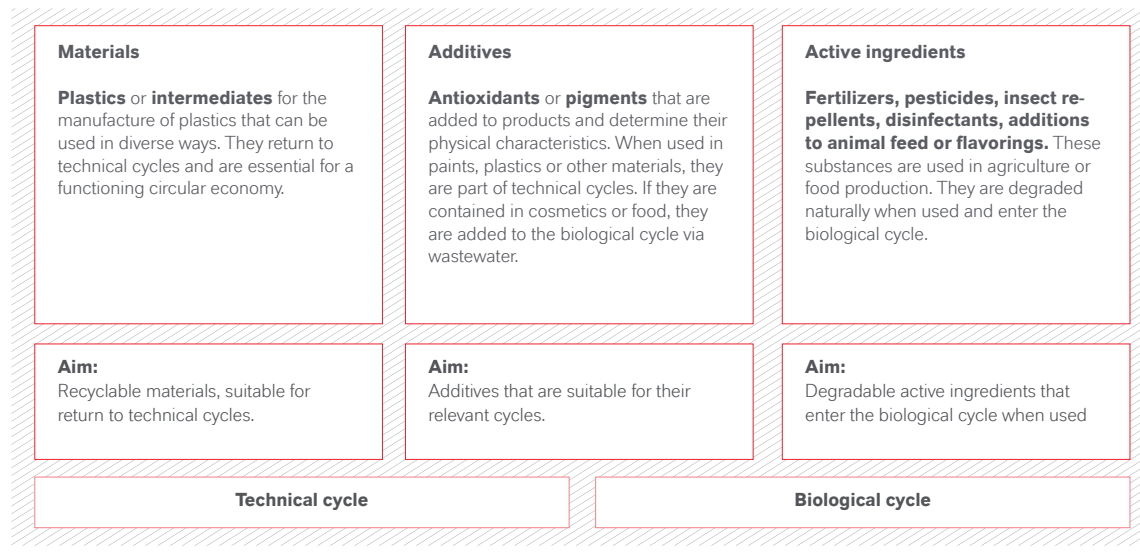
- › Emissions from our own processes (Scope 1)
- › Emissions from purchased energy (Scope 2)
- › Emissions from purchased goods, upstream transport and waste generation (Scope 3)

As a company, we can directly influence our Scope 1 and Scope 2 emissions in particular. With our strategy for climate neutrality in 2040, we have set ourselves ambitious targets in this area (see “Climate Action and Energy Efficiency”). More important for the PCF than the Scope 1 and Scope 2 emissions are often the Scope 3 emissions arising in connection with purchased goods, i.e. our raw materials. In chemical production, they often account for more than 50% of the PCF. We are therefore placing a strategic focus on the purchase of sustainable raw materials with a reduced carbon footprint. The transformation away from conventional, often fossil-based raw materials towards renewable resources not only leads to a reduction in greenhouse gas emissions but also makes our value chains less dependent on certain limited resources (see “Circular and Sustainable Sourcing”).

LANXESS products are sold almost exclusively to industrial customers. Only they or customers even further downstream use them to produce end products for a wide range of markets. For example, automotive suppliers use our high-performance plastics in components for lightweight automotive construction, which are ultimately built into vehicles by car manufacturers. Our chemical end products, which remain unchanged in the further value chain, are only processed into end products by our customers. With regard to completing cycles, this means that there

are sometimes very long periods between production and the end of our products’ lifecycles. As the first step, we are therefore focusing on what we as a company can control: We are working to ensure the “recyclability” of all our products so that they are suitable for environmentally friendly recycling. In order to understand which “recyclability” requirements to impose on our products, it is important to analyze the function of our molecules in their final use and in which cycles (biological or technical) they circulate.

**Allocation of LANXESS Products to Cycles According to Their Use (Examples)**





## Products for climate protection and the circular economy

A full picture of our product portfolio is obtained only when assessing the benefit and the positive environmental impact that our products have when used. Here, we prioritize solutions that contribute to climate protection or enable a circular economy.

Products that support climate protection are suitable for reducing greenhouse gas emissions and thus stopping or slowing climate change (climate mitigation). A second important group comprises products that support adaptations to climate change – i.e. help to cope with the negative consequences resulting from changes in the climate that have already materialized or are expected in the future (climate adaptation).

The biggest drivers of climate change are the generation of electricity and heat. The change from fossil fuels to renewable energy requires a large number of new solutions, especially for wind power, photovoltaics and the necessary storage of energy in the form of batteries or hydrogen. The transport sector and especially road traffic are other significant causes of climate change. Lightweight automotive construction with modern plastics harbors potential to considerably reduce fuel consumption in vehicles with combustion engines. In recent years, electric mobility has also become established as an important path to a sustainable future in road transport. Industry and the building sector are in third place when it comes

to the emission of greenhouse gases. Electrification and insulation play a key role here. We address all these topics with our product portfolio.

The effects of climate change are already plain to see in many regions of the world. Changing water cycles and thus new patterns of precipitation and evaporation are one consequence of climate change. In this respect, the circulation of process water and the purification of drinking water are becoming important elements of local water strategies. Our Liquid Purification Technologies business unit provides support here with years of experience, a broad product range and innovative solutions. Another consequence of climate change is the increasing threat of infectious diseases. Global warming is enabling certain pathogens to advance and survive in not only tropical but also temperate zones. Other factors such as globalized passenger, livestock and goods transport help these diseases to spread faster and farther. For years, we have therefore continuously enhanced our range of disinfectants.

For a functioning circular economy, it is not only the use of alternative raw materials and environmentally friendly recycling at the end of the lifecycle that are important. Products are also required that help materials to be used for longer or enable materials to be reused at all. Particularly in the case of plastics, the product lifecycle can be significantly extended with appropriate additives. When renewable materials such as wood are used, material

protection solutions also extend their useful life many times over. If it is no longer possible to continue using products and they reach the end of their lifecycle, it is important that they can be recycled in an environmentally friendly manner. Here, too, the right additives help to complete the cycle. Both the correct use of additives and material protection are among LANXESS's core areas of expertise.

## Product innovation

In 2022, our portfolio strategy was again shaped primarily by specific product and application development. We put the needs and expectations of our customers at the center here and frequently pursue projects together with the customers concerned or other high-powered partners.

In the reporting year, we expanded our Scopeblue series with innovative products. [Details can be found under "Product Portfolio."](#)

We complemented our activities in the field of electric mobility and batteries with work on iron oxides for lithium iron phosphate electrodes (LFP). These are becoming increasingly widespread – including in Europe – as a sustainable and cost-effective alternative to cobalt- and nickel-containing active materials. Key precursors for LFP include lithium carbonate, phosphorous chemicals and technical iron oxides such as Bayoxide from LANXESS. Thanks to our world-class facility in Krefeld-Uerdingen, we are one of the world's biggest producers of iron oxides. We are also among the leading producers of phosphorus



compounds. As a broad-based raw material supplier, LANXESS can therefore reliably deliver the necessary precursors in order to cover the growing European demand for LFP.

We have developed Emerald NH500 to market maturity as an innovative flame retardant. This new, phosphorus-based product has been specially designed for use in high-performance plastics and electric mobility. It exhibits very good flame-retardant properties in combination with other additives and easily passes the relevant fire safety tests. Versatile formulations ensure that the mechanical properties and other functional characteristics of the end products are maintained. In addition, the additive offers excellent thermal stability and boasts a unique morphology.

Another innovation, our natural preservative Nagardo, has now also been launched in Europe following the U.S., Australia, New Zealand, and Canada. We obtained approval for use in non-alcoholic beverages the EU in the reporting year and continue to expand the global footprint of Nagardo.

European beverage producers can now make use of a long-awaited natural preservative that not only efficiently safeguards product quality but also enables them to transform their product ranges and to meet consumers' growing demand for natural ingredients. The use of Nagardo can also help beverage producers to achieve

their sustainability targets, since they can lower energy usage by switching from hot filling or tunnel pasteurization to cold filling and reduce the amount of plastic needed for packaging. Nagardo is based on glycolipids obtained from edible mushrooms, which were discovered in a comprehensive screening process encompassing more than 100,000 natural substances. It transpired that they offer the kind of effectiveness that can be found only in nature – all that is needed is a dosage as much as 50 times smaller than is the case with commonly used synthetic preservatives. Nagardo is currently the most effective natural preservative for non-alcoholic beverages on the market.

This innovation is also recognized by beverage industry professionals. For example, LANXESS received the 2022 World Beverage Innovation Award in the “Best Beverage Ingredient” category for Nagardo. These awards, launched by UK-based FoodBev Media Ltd., honored innovation and excellence across all categories in the global beverage industry for the 20th time in the reporting year.

By acquiring the Microbial Control business from U.S. corporation International Flavors & Fragrances Inc. (IFF) in 2022 and through the acquisition of specialty chemicals manufacturer Emerald Kalama Chemical, U.S., in 2021, we continued to grow our innovation portfolio and supplemented it with important areas.

### Valuing customer relationships

Our customers' satisfaction is not only an indicator of our success, but above all also a requirement for it. We therefore work continuously on the meaningful and best possible consideration of customers' constantly changing needs in our product and process innovations. In addition, we aim to build on and consolidate our relationships with our customers.

Our direct interaction with customers resumed in the reporting year, having been still severely restricted by the coronavirus pandemic in 2021. Customer visits and on-site care were possible again, as were face-to-face events and trade fairs. Overall, a balance has arisen between physical and virtual meetings that makes it possible to conserve resources while simultaneously maintaining all-important personal contact. Successful new formats such as webinars and technical expert sessions were continued. Although personal customer service makes a substantial contribution to our success, virtual cooperation has also proven useful thanks to higher flexibility and reach and better compatibility with customers' flexible working models, for example.

When forming our customer relationships, the top priorities are customer satisfaction and avoiding customer complaints. Based on a central customer relationship management (CRM) system and a uniform complaint management platform, each of our business units has its



own market- and customer-oriented complaint management and optimization processes. Shared elements of these processes include clear targets, for example in relation to the reduction of customer complaints or processing times for customer complaints, as well as a corresponding statistical analysis of the feedback received, and structured monthly reporting to the management of the respective business unit. Various bodies and dialog forums, such as the quarterly Marketing & Sales Community, also guarantee the regular exchange of experiences between our business units and Group functions.

Our business units regularly review their complaint management process to identify potential for improvement. In 2022, for example, Polymer Additives took further steps to integrate complaints reporting from the acquisitions of Chemtura and Emerald Kalama Chemical and set up a new complaints tool, which has proven successful. In response to the persistently strained material procurement situation, the Inorganic Pigments business unit has introduced weekly update calls to keep its customers in the loop.

In our digitalization offensive, we use software to improve the speed and efficiency of the communication between our customer service teams and their respective customers. In light of the large number of simultaneous orders, it is a major challenge for our customer service employees to keep track of changes across the entire order acceptance, production and delivery process. Here, we are assisted by software solutions that continuously search

our ERP systems for changes in order data records, factor in external information and compare it with dynamic specifications. Our customer advice experts constantly obtain constantly updated information about the key influencing factors and changes that Order Management, for example, has made to the orders – such as postponements of delivery dates or quantity changes. Our customer service is therefore able to inform customers immediately and promptly tackle any problems arising from the changes.

In 2022, the Saltigo, Flavors & Fragrances and Material Protection Products business units launched a LinkedIn Showcase Page called “LANXESS Personal Care & Cosmetics” in order to facilitate discussion about highly effective and sustainable ingredients in cosmetic and personal care products such as Saltidin®, Purox®B and Purox®S, KATHON™ and NEOLONE™.

The rollout of the sales software successfully introduced in 2020 continues. It enables flexible access to customer information regardless of internet connection or technical equipment. This benefits our customers because we are better informed about their specific needs and our consultants because it is easier for them to stay informed.

Customer satisfaction surveys are essential for LANXESS in order to determine potential for improvement in customer relationships and to check whether customer requirements have changed. LANXESS conducts an anonymous online survey of all relevant customers in all business units once every two years.

In terms of content, the survey aims to evaluate LANXESS’s performance in comparison to the competition and to indicate whether customers would recommend LANXESS. Customers were also asked if they intended to continue the business relationship in the future and to assess the advantages resulting from this relationship.

In the current 2022 survey, the customer retention index (CRI) score was 71 and thus at the same level as that of our competitors. The score particularly reflects the strained economic situation of the pandemic years, the general global supply shortages in procurement, the drastic restrictions in logistics, and the sharply increased raw material and energy prices.

The topic of “sustainability” was a particular focus of the latest customer satisfaction survey, in which customers gave us an excellent rating due among other things to our “Climate Neutral 2040” strategy.

Based on the results of the latest customer satisfaction analysis, we have implemented targeted measures at LANXESS and in the business units in order to remain a reliable and value-enhancing partner for our customers and thus to successfully retain them in the long term.



## Reporting on the EU taxonomy

### Introduction

A central element in the European Union's Green Deal is the strategy for sustainable financing. It aims to channel financing flows into investments that support sustainable development in the future. In this context, a classification system for economic activities – the EU taxonomy – is to help investors assess whether investments contribute to political targets and obligations such as the Paris Agreement on climate change at the same time as meeting specified environmental and social standards. To this end, the EU has defined six categories, or objectives:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

The relevance of an economic activity for one of these environmental objectives depends on how the activity influences the respective environmental objective.



In order to assess an economic activity, a two-step analysis must be performed with regard to eligibility and alignment. According to the EU Taxonomy Regulation, economic activities are taxonomy-eligible if they match the activity descriptions in Annexes I and II of the Delegated Act of June 2021 or the supplementary Delegated Act of March 2022 and potentially contribute to the achievement of one of the six environmental objectives. To determine alignment, each activity must be assessed as to whether it makes a substantial contribution to any given objective of the EU taxonomy while doing no significant harm (DNSH) to any of the other objectives. Moreover, minimum safeguards for compliance with human rights including labor and consumer rights and in the fields of bribery and corruption prevention, taxation and fair competition must be guaranteed for each activity.

### Reportable ratios

Companies that fall within the scope of the EU taxonomy must disclose the defined sales, capital expenditure (CapEx) and operating expenditure (OpEx) ratios for their share of taxonomy-eligible or taxonomy-aligned economic activities. These ratios must be itemized according to the respective taxonomy-eligible or taxonomy-aligned economic activity. The disclosures must specify the environmental objective to which this activity contributes and whether it is a transitional or enabling economic activity.



### Sales

The ratio relating to the relative share of sales with taxonomy-eligible or taxonomy-aligned products is the ratio of two sales figures: The numerator is the sum of all sales that we have generated in the reporting year with taxonomy-eligible or taxonomy-aligned activities. The denominator is the value of the external sales as reported under "Sales" in the income statement of our [consolidated financial statements in the Annual Report on page 155](#) pursuant to the relevant IAS/IFRS requirements as presented in the notes to the consolidated financial statements.

### Capital expenditures and operational expenditures

We report the proportion of expenditures and expenses incurred in connection with the operation and expansion of our plants in order to manufacture taxonomy-eligible or taxonomy-aligned products as taxonomy-eligible or taxonomy-aligned capital expenditures and operational expenditures. The relevant value chain begins with the manufacture of products that are taxonomy-eligible according to Annexes I and II of the Delegated Regulation.

Relevant capital expenditures comprise firstly our capital expenditures to maintain and upgrade our production plants for taxonomy-eligible or taxonomy-aligned products, including production plants added via business acquisitions. The goodwill derived from this after the purchase price allocation and recognized in intangible assets is not part of the capital expenditures considered here.



### Taxonomy-eligible activities

With regard to the environmental objectives “climate change mitigation” and “climate change adaptation,” the Taxonomy Regulation covers activities of selected economic sectors that are currently responsible for a total of around 93% of European greenhouse gas (GHG) emissions. All of these activities are described as “taxonomy-eligible.” With regard to the “climate change mitigation” objective, the chemical industry is a “transformative industry” because, among other things, basic chemicals and plastics that are produced in very large quantities are labeled as transitional activities. This means that the activities make a relevant contribution to the EU’s GHG emissions and thus have relevant reduction potential. LANXESS – as a specialty chemicals company – is not focused on such products.

Activities in other economic sectors that do not materially contribute to GHG emissions in the EU are currently not covered by the Climate Delegated Act are therefore deemed “taxonomy-non-eligible.” Criteria for the demonstration of “enabling activities” – i.e. activities that in turn enable third parties to make their own material positive contribution to climate change mitigation – have not yet been defined by the EU for organic chemicals and plastics.

In order to identify the taxonomy-eligible economic activities at LANXESS, we analyzed all economic activities at central level. The respective products and activities were assigned to the activity descriptions as specified in



the Climate Delegated Act. The data-gathering process likewise took place centrally on the basis of consolidated data and using centrally available, Group-wide information. In this way, double counting of sales, capital expenditures and operational expenditures can also be ruled out.

Economic activities that LANXESS classifies as taxonomy-eligible:

- › LANXESS produces high-quality **plastics** for a broad range of applications – from the automotive and electrical/electronics industries to water treatment. These products correspond to activity 3.17 “Manufacture of plastics in primary form” defined in Annexes I and II of the relevant Delegated Regulation.
- › **Adipic acid** is a precursor that is in very high demand in the plastics industry, e.g. for polyamides or polyurethanes. This product is allocated to activity 3.14 “Manufacture of organic basic chemicals”. All other products described there are not manufactured by LANXESS.
- › LANXESS also produces **components for battery manufacturing**, which fall under activity 3.4 “Manufacture of batteries” defined in Annexes I and II of the relevant Delegated Regulation.

For reporting year 2022, economic activity 5.4 “Renewal of waste water collection and treatment” was identified as another area of activity for the recognition and allocation



of taxonomy-eligible capital expenditures and operating expenditures. Since LANXESS does not pursue economic activities in connection with natural gas or nuclear energy, LANXESS does not use the special templates introduced with the Complementary Delegated Act for activities in certain energy sectors.

### Taxonomy-aligned activities

From reporting year 2022, LANXESS is also required to assess the taxonomy-alignment of the economic activities, i.e. to analyze whether they make a substantial contribution to the achievement of one or more environmental objectives while doing no significant harm (DNSH) to other environmental objectives and whether they are carried out in compliance with the minimum social safeguards.

### Substantial contribution

All taxonomy-eligible economic activities at LANXESS were individually assessed for compliance with the criteria for a substantial contribution to the two environmental objectives “climate change mitigation” and “climate change adaptation.” The analyses performed identified economic activity 3.4 “Manufacture of batteries” as making a substantial contribution to climate change mitigation, as our battery components are intended for ion batteries, which are mainly used for electric cars. Economic activity 5.4 “Renewal of waste water collection and treatment” has a positive effect because, based on a two-year time horizon, it achieves an energy saving of more than 20% compared to the starting point.





**Do no significant harm (“DNSH”)**

Economic activities 3.4 “Manufacture of batteries” and 5.4 “Renewal of waste water collection and treatment” were analyzed according to the DNSH criteria. To assess the “climate change adaptation” criterion, physical climate risks and climate trends were identified and their relevance for the corresponding site assessed. With regard to the supply chain, we also included the risks from goods flow and logistics for the activity. In addition, qualitative scenario analyses for 2020, 2030 and 2040 were carried out with several suitable climate projections such as Representative Concentration Pathway (RCP) 4.5 and 8.5. In order to counter the identified climate risks, measures for the relevant site were devised in line with the company’s overall climate strategy (see “Climate Action and Energy Efficiency,” page 32). The management of climate risks is an integral part of the LANXESS risk management system and is based on the TCFD requirements.

The economic activity was also evaluated with regard to harm to “sustainable use and protection of water and marine resources.” The focus was on preserving water quality, avoiding water stress and assessing the impact on water, as addressed in the LANXESS Water Program (see “Safe and Sustainable Sites,” page 26).



The production plant concerned is subject to the German Environmental Impact Assessment Act (UVPG), which includes an assessment of the impact on water in accordance with Directive 2000/60/EC. This DNSH criterion is not applicable for economic activity 5.4 “Renewal of waste water collection and treatment” at LANXESS, because the waste water is not used for irrigation.

The substances LANXESS uses to manufacture battery components are verified as part of the LANXESS product portfolio assessment process (see “Sustainable Products,” page 57) and comply with statutory requirements. This strategic management tool systematically assesses and improves the sustainability performance of the LANXESS product portfolio with regard to economic, environmental and social aspects. It ensures that economic activity 5.4 does not cause a significant increase in the emissions of pollutants to air, water or land and thus fulfills the “pollution prevention and control” criteria described in Appendix C of the Delegated Act of June 2021. Accordingly, we also review the use of substances that go beyond the prohibitions of current legislation.

At LANXESS, we meet the requirement of the criterion for DNSH to “protection and restoration of biodiversity and ecosystems” by way of HSE compliance checks (health, safety and environment see also “Safe and Sustainable Sites,” page 23). Our sites are certified according to ISO 14001. For the single relevant site, evidence was provided that it is not located in a biodiversity sensitive area.



The criterion for DNSH to “transition to a circular economy” does not apply to the manufactured battery components, as LANXESS does not manufacture batteries and the recycling of batteries is therefore not one of the company’s economic activities. We will continue to regularly review whether it is possible to reuse battery materials and to use secondary raw materials for the manufacture of battery components.

**Minimum safeguards**

Requirements of minimum social safeguards generally apply Group-wide at LANXESS and are not limited to individual economic activities.

In the reporting year, we continued our work in the project group for the German Act on Corporate Due Diligence in Supply Chains, which reports to the “People & Governance” sub-committee, incorporated the requirements for minimum safeguards and formalized our processes accordingly. In the field of corporate governance, we have long-standing management systems for compliance with human rights (see “Human rights” under “Good Corporate Governance,” page 38), for monitoring our supply chain (see “Procurement,” page 21), for anti-corruption (see “Anti-corruption” under “Good Corporate Governance,” page 40), for taxes (Tax Guideline) and for fair competition.

Further information on corporate governance at LANXESS.



**Results Sales**

In the reporting year 2022, LANXESS generated 8% of its external sales with products allocable to taxonomy-eligible activities. The remaining 92% of sales relate to products that are not included in the taxonomy's activity categories. The share decreased considerably year-on-year because the taxonomy-eligible sales from the High Performance Materials (HPM) business are no longer reported under continuing operations.

As LANXESS's taxonomy-eligible sales result exclusively from production, the company's main business activity, we disclose the figures at Group level and do not otherwise present them in clusters. In the reporting year, LANXESS generating total sales of €638 million classified as taxonomy-eligible. The taxonomy-aligned sales in the reporting year were less than 1%.

**Capital expenditures and operational expenditures**

Apart from one investment measure for wastewater treatment (5.4. "Renewal of waste water collection and treatment"), with which we achieved significantly more energy-efficient pretreatment of a wastewater flow, capital expenditures and operational expenditures in connection with the acquisition of products or for individual measures that result in the reduction of greenhouse gas emissions are immaterial and amount less than 1% of CapEx and OpEx.



In accordance with the current scope of the taxonomy, only individual, precisely defined plants or business units within the LANXESS Group are affected. Detailed analysis also shows that most plants of the affected business units are needed for the manufacture of taxonomy-eligible products for these business units to be considered as a whole.

**Capital expenditures**

In the reporting year 2022, the numerator is the share of additions from these investments and business acquisitions that relate to taxonomy-eligible activities. The denominator of the ratio is the sum of additions to property, plant and equipment and intangible assets from investments and acquisitions, adjusted for acquired goodwill, which can be found in the [notes to the consolidated financial statements on pages 189 and 191](#). The recognition and measurement rules as presented in the notes to the consolidated financial statements apply accordingly.

In the reporting year, the share of taxonomy-eligible capital expenditures was 3%. Therefore, the share of taxonomy-non-eligible activities in our capital expenditures is 97%. Due to our extensive M&A activities, we also report an additional ratio that we adjust for the influence of business acquisitions. In this analysis perspective, the taxonomy-eligible share increases to 5% and now reflects the capital expenditures attributable in 2022 to plants that manufacture the taxonomy-eligible products. The share of taxonomy-eligible capital expenditures amounts to 0.5% of our capital expenditures. After adjustment for the influence



**Operational expenditures**

In accordance with the Taxonomy Regulation, the ratio's denominator must cover direct non-capitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair. Any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the company itself or by third parties must also be included.

At LANXESS, operational expenditures comprise all non-capitalized costs incurred in the reporting period in connection with research and development and the maintenance of our plants and buildings. According to a Group directive, these also include direct expenditures relating to day-to-day servicing, through which we ensure the continued and effective functioning of such assets. Short-term leases or leases of low-value assets are not of material importance for LANXESS ([see consolidated financial statements](#)).

of business acquisitions, the share amounts to 1.0%. All taxonomy-aligned capital expenditures comprise additions to property, plant and equipment.



NFR

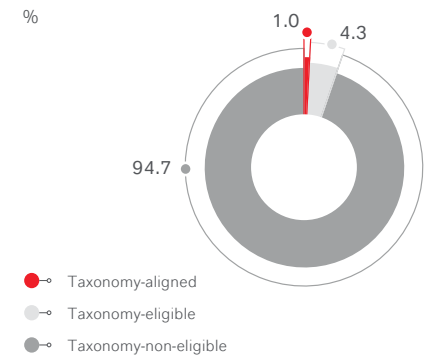
The operational expenditures in connection with research, development and patents include for example costs for our scientific departments and laboratories. These expenditures are reported in the [Notes on page 217](#) in accordance with IAS 38.126 et seq. Maintenance includes all operating expenses for maintenance measures, overhauls of production plants, the implementation of legal requirements and plant downtimes in the relevant reporting period, which according to our accounting guidelines cannot be capitalized and are therefore not a component of capital expenditures. This also includes direct expenses for maintenance materials as well as external and internal maintenance services. Costs for building modernization that cannot be capitalized are immaterial and are not reported separately.

NFR

The ratio's numerator covers those expenses for the reporting year 2022 that relate to taxonomy-eligible, sales-generating activities. The denominator covers all non-capitalizable expenses for research, development and maintenance.

In the reporting year, the share of operational expenditures for taxonomy-eligible products amounted to 8% of the total operating expenditures. Therefore, the share of taxonomy-non-eligible operating expenditures is 92%. The share of taxonomy-eligible operational expenditures amounts to 0.1% of our operating expenditures.

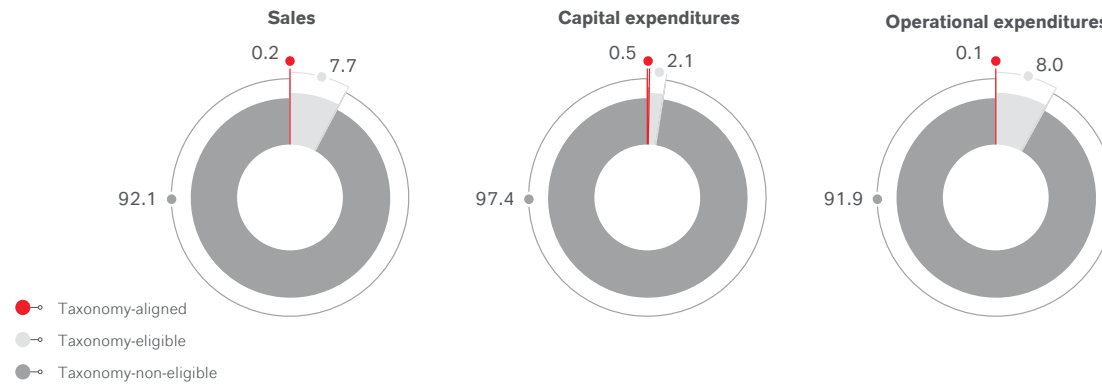
**Capital Expenditures Adjusted for M&A<sup>1)</sup>**



1) Voluntary information.

**Key Data Pursuant to EU Taxonomy Regulation**

%





**Proportion of Sales from Products and Services Associated with Taxonomy-Aligned Economic Activities**

Economic activities (1)	Code(s) (2)	Absolute net sales (3)	Proportion of net sales (4)	Substantial contribution criteria						DNSH criteria ("Do No Significant Harm")						Minimum safeguards (17)	Taxonomy-aligned proportion of net sales, 2022 (18)	Taxonomy-aligned proportion of net sales, 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					
		Currency	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
<b>A.1. Environmentally sustainable activities (taxonomy-aligned)</b>																				
3.4. Manufacture of batteries	C.27.20	15,606,000	0.2%	100%	0%					Y	Y	Y	Y	Y	Y	Y	0.2%		E	
<b>Net sales of environmentally sustainable activities (taxonomy-aligned) (A.1)</b>		<b>15,606,000</b>	<b>0.2%</b>	<b>100%</b>	<b>0%</b>												<b>0.2%</b>		<b>0%</b>	
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)</b>																				
3.14. Manufacture of other organic basic chemicals	C.20.14	92,891,390	1%																	
3.17. Manufacture of plastics in primary form	C.20.16	529,397,339	7%																	
<b>Net sales of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)</b>		<b>622,288,729</b>	<b>8%</b>														<b>0%</b>			
<b>Total (A.1 + A.2)</b>		<b>637,894,729</b>	<b>8%</b>														<b>0.2%</b>			
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																				
<b>Net sales of taxonomy-non-eligible activities (B)</b>		<b>7,450,334,872</b>	<b>92%</b>																	
<b>Total (A+B)</b>		<b>8,088,229,602</b>	<b>100%</b>																	



### Proportion of CapEx from Products and Services Associated with Taxonomy-Aligned Economic Activities

Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Substantial contribution criteria						DNSH criteria ("Do No Significant Harm")						Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx, 2022 (18)	Taxonomy-aligned proportion of CapEx, 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					
		Currency	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
<b>A.1. Environmentally sustainable activities (taxonomy-aligned)</b>																				
3.4. Manufacture of batteries	C.27.20	1,785,300	0.2%	100%	0%					Y	Y	Y	Y	Y	Y	Y	0.2%		E	
5.4. Renewal of water collection, treatment and supply systems	E.37.00	2,847,200	0.3%	100%	0%					Y	Y	Y		Y	Y	Y	0.3%			
<b>CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1)</b>		<b>4,632,500</b>	<b>0.5%</b>	<b>100%</b>													<b>0.5%</b>		<b>0%</b>	
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)</b>																				
3.14. Manufacture of other organic basic chemicals	C.20.14	1,937,634	0.2%																	
3.17. Manufacture of plastics in primary form	C.20.16	17,076,191	2%																	
<b>CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)</b>		<b>19,013,825</b>	<b>2%</b>														<b>0%</b>			
<b>Total (A.1 + A.2)</b>		<b>23,646,325</b>	<b>3%</b>														<b>0.5%</b>			
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																				
<b>CapEx of taxonomy-non-eligible activities (B)</b>		<b>869,663,854</b>	<b>97%</b>																	
<b>Total (A+B)</b>		<b>893,310,179</b>	<b>100%</b>																	



**Proportion of OpEx from Products and Services Associated with Taxonomy-Aligned Economic Activities**

Economic activities (1)	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Substantial contribution criteria						DNSH criteria ("Do No Significant Harm")						Minimum safeguards (17)	Taxonomy- aligned proportion of OpEx, 2022 (18)	Taxonomy- aligned proportion of OpEx, 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					
		Currency	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
<b>A.1. Environmentally sustainable activities (taxonomy-aligned)</b>																				
3.4. Manufacture of batteries	C.27.20	340,950	0.1%	100%	0%					Y	Y	Y	Y	Y	Y	Y	0.1%		E	
5.4. Renewal of water collection, treatment and supply systems	E.37.00	4,300	0.0%	100%	0%					Y	Y	Y		Y	Y	Y	0.0%			
<b>OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)</b>		<b>345,250</b>	<b>0.1%</b>	<b>100%</b>													<b>0.1%</b>		<b>0%</b>	
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)</b>																				
3.14. Manufacture of other organic basic chemicals	C.20.14	3,958,413	1%																	
3.17. Manufacture of plastics in primary form	C.20.16	33,570,558	7%																	
<b>OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)</b>		<b>37,528,971</b>	<b>8%</b>														<b>0%</b>			
<b>Total (A.1 + A.2)</b>		<b>37,874,221</b>	<b>8%</b>														<b>0.1%</b>			
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																				
<b>OpEx of taxonomy-non-eligible activities (B)</b>		<b>430,341,390</b>	<b>92%</b>																	
<b>Total (A+B)</b>		<b>468,215,611</b>	<b>100%</b>																	